EXHIBIT 2

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 001-33307

RadNet, Inc.
(Exact name of registrant as specified in charter)

Delaware	**13-3326724**
(State or other jurisdiction of Incorporation or organization)	**(I.R.S. Employer Identification No.)**
1510 Cotner Avenue	
Los Angeles, California	**90025**
(Address of principal executive offices)	**(Zip Code)**

(310) 478-7808
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Class Title	Trading Symbol	Registered Exchange
Common Stock	RDNT	NASDAQ

The number of shares of the registrant's common stock outstanding on November 6, 2019 was 50,271,829 shares.

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PART I - FINANCIAL INFORMATION
Item 1 – Financial Statements

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2019	December 31, 2018
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 37,688	$ 10,389
Accounts receivable	150,748	148,919
Due from affiliates	1,385	595
Prepaid expenses and other current assets	47,857	46,288
Assets held for sale	2,041	2,499
Total current assets	239,719	208,690
PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS		
Property and equipment, net	352,310	345,729
Operating lease right-of-use assets	438,558	—
Total property, equipment and right-of-use assets	790,868	345,729
OTHER ASSETS		
Goodwill	439,867	418,093
Other intangible assets	43,613	40,593
Deferred financing costs	1,670	1,354
Investment in joint ventures	36,868	37,973
Deferred tax assets, net of current portion	34,423	31,506
Deposits and other	30,872	25,392
Total assets	$ 1,617,900	$ 1,109,330
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other	$ 175,894	$ 181,028
Due to affiliates	18,592	13,089
Deferred revenue	1,908	2,398
Current portion of deferred rent	—	3,735
Current finance lease liability	4,095	—
Current operating lease liability	69,308	—
Current portion of notes payable	39,719	33,653
Current portion of obligations under capital leases	—	5,614
Total current liabilities	309,516	239,517
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	—	31,542
Long-term finance lease liability	4,042	—
Long-term operating lease liability	410,958	—
Notes payable, net of current portion	662,605	626,507
Obligations under capital lease, net of current portion	—	6,505
Other non-current liabilities	15,707	5,006
Total liabilities	1,402,828	909,077
EQUITY		
RadNet, Inc. stockholders' equity:		
Common stock - $.0001 par value, 200,000,000 shares authorized; 50,254,136 and 48,977,485 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	5	5
Additional paid-in-capital	260,463	242,835
Accumulated other comprehensive (loss) income	(12,250)	2,259

Accumulated deficit	(113,555)	(117,915)
Total RadNet, Inc.'s stockholders' equity	134,663	127,184
Noncontrolling interests	80,409	73,069
Total equity	215,072	200,253
Total liabilities and equity	$ 1,617,900	$ 1,109,330

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
REVENUE				
Service fee revenue	$ 261,908	217,552	$ 762,751	641,136
Revenue under capitation arrangements	30,784	24,596	90,587	76,799
Total revenue	292,692	242,148	853,338	717,935
OPERATING EXPENSES				
Cost of operations, excluding depreciation and amortization	254,383	208,511	743,997	634,200
Depreciation and amortization	20,490	17,480	60,193	53,422
Loss (gain) on sale and disposal of equipment and other	917	(373)	1,990	(2,204)
Severance costs	52	82	1,054	1,087
Total operating expenses	275,842	225,700	807,234	686,505
INCOME FROM OPERATIONS	16,850	16,448	46,104	31,430
OTHER INCOME AND EXPENSES				
Interest expense	11,895	10,663	36,589	31,343
Equity in earnings of joint ventures	(1,955)	(2,822)	(6,072)	(9,547)
Other expenses	2	7	1,271	13
Total other expenses	9,942	7,848	31,788	21,809
INCOME BEFORE INCOME TAXES	6,908	8,600	14,316	9,621
Provision for income taxes	(1,816)	(2,827)	(3,556)	(2,835)
NET INCOME	5,092	5,773	10,760	6,786
Net income attributable to noncontrolling interests	1,897	734	6,400	3,679
NET INCOME ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	$ 3,195	$ 5,039	$ 4,360	$ 3,107
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	$ 0.06	$ 0.10	$ 0.09	$ 0.06
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	$ 0.06	$ 0.10	$ 0.09	$ 0.06
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	49,807,460	48,010,726	49,597,138	47,937,215
Diluted	50,360,360	48,615,392	50,113,306	48,481,305

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(IN THOUSANDS)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
NET INCOME	$ 5,092	$ 5,773	$ 10,760	$ 6,786
Foreign currency translation adjustments	(23)	(91)	(28)	(65)
Change in fair value of cash flow hedge, net of taxes	(5,283)	595	(14,481)	4,889
COMPREHENSIVE (LOSS) INCOME	(214)	6,277	(3,749)	11,610
Less comprehensive income attributable to noncontrolling interests	1,897	734	6,400	3,679
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	$ (2,111)	$ 5,543	$ (10,149)	$ 7,931

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

The following table summarizes changes in the Company's consolidated stockholders' equity, including noncontrolling interest, during the three months ended September 30, 2019 and September 30, 2018.

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Radnet, Inc.'s Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
BALANCE - JUNE 30, 2019	50,127,234	$ 5	$ 257,607	$ (6,942)	$ (116,752)	$ 133,918	$ 78,512	$212,430
Issuance of common stock under the equity compensation plan	25,000	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	1,356	—	—	1,356	—	1,356
Issuance of common stock for purchase of Nulogix	101,902	—	1,500	—	—	1,500	—	1,500
Change in cumulative foreign currency translation adjustment	—	—	—	(23)	—	(23)	—	(23)
Change in fair value cash flow hedge, net of taxes	—	—	—	(5,283)	—	(5,283)	—	(5,283)
Other	—	—	—	(2)	2	—	—	—
Net loss	—	—	—	—	3,195	3,195	1,897	5,092
BALANCE-SEPTEMBER 30, 2019	50,254,136	$ 5	$ 260,463	$ (12,250)	$ (113,555)	$ 134,663	$ 80,409	$215,072
BALANCE - JUNE 30, 2018	48,284,925	$ 5	$ 235,713	$ 3,677	$ (152,090)	$ 87,305	$ 37,629	$124,934
Issuance of common stock upon exercise of options	5,000	—	10	—	—	10	—	10
Issuance of common stock under the equity compensation plan	45,000	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	1,568	—	—	1,568	—	1,568
Sale of noncontrolling interests, net of taxes	—	—	(3,070)	—	—	(3,070)	(2,046)	(5,116)
Special distribution from noncontrolling interest	—	—	2,894	—	—	2,894	(9,175)	(6,281)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	—
Purchase of noncontrolling interests	—	—	(43)	—	—	(43)	(157)	(200)
Change in cumulative foreign currency translation adjustment	—	—	—	4	—	4	—	4
Change in fair value cash flow hedge, net of taxes	—	—	—	595	—	595	—	595
Net loss	—	—	—	—	5,039	5,039	734	5,773
BALANCE-SEPTEMBER 30, 2018	48,334,925	$ 5	$ 237,072	$ 4,276	$ (147,051)	$ 94,302	$ 26,985	$121,287

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

The following table summarizes changes in the Company’s consolidated stockholders' equity, including noncontrolling interest, during the nine months ended September 30, 2019 and September 30, 2018.

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	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Radnet, Inc.'s Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
BALANCE - JANUARY 1, 2019	48,977,485	$ 5	$ 242,835	$ 2,259	$ (117,915)	$ 127,184	$ 73,069	$200,253
Issuance of common stock upon exercise of options	10,000	—	50	—	—	50	—	50
Issuance of common stock under the equity compensation plan	726,042	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	6,993	—	—	6,993	—	6,993
Issuance of common stock for purchase of membership interest in HVRA	440,207	—	6,000	—	—	6,000	—	6,000
Forfeiture of restricted stock	(1,500)	—	(5)	—	—	(5)	—	(5)
Sale of noncontrolling interests, net of taxes	—	—	3,090	—	—	3,090	2,008	5,098
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(1,818)	(1,818)
Contribution from noncontrolling partner	—	—	—	—	—	—	750	750
Issuance of common stock for purchase of Nulogix	101,902	—	1,500	—	—	1,500	—	1,500
Change in cumulative foreign currency translation adjustment	—	—	—	(28)	—	(28)	—	(28)
Change in fair value cash flow hedge, net of taxes	—	—	—	(14,481)	—	(14,481)	—	(14,481)
Net income	—	—	—	—	4,360	4,360	6,400	10,760
BALANCE-SEPTEMBER 30, 2019	50,254,136	$ 5	$ 260,463	$ (12,250)	$ (113,555)	$ 134,663	$ 80,409	$215,072
BALANCE - JANUARY 1, 2018	47,723,915	$ 5	$ 212,261	$ (548)	$ (150,158)	$ 61,560	$ 8,365	$ 69,925
Issuance of common stock upon exercise of options	5,000	—	10	—	—	10	—	10
Issuance of common stock under the equity compensation plan	607,160	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	6,364	—	—	6,364	—	6,364
Forfeiture of restricted stock	(1,150)	—	(7)	—	—	(7)	—	(7)
Sale of noncontrolling interests, net of taxes	—	—	15,593	—	—	15,593	25,186	40,779
Special distribution from noncontrolling interest	—	—	2,894	—	—	2,894	(9,175)	(6,281)
Purchase of noncontrolling interests	—	—	(43)	—	—	(43)	(157)	(200)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(913)	(913)
Change in cumulative foreign currency translation adjustment	—	—	—	(65)	—	(65)	—	(65)
Change in fair value cash flow hedge, net of taxes	—	—	—	4,889	—	4,889	—	4,889
Net loss	—	—	—	—	3,107	3,107	3,679	6,786
BALANCE-SEPTEMBER 30, 2018	48,334,925	$ 5	$ 237,072	$ 4,276	$ (147,051)	$ 94,302	$ 26,985	$121,287

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 10,760	$ 6,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,193	53,422
Amortization of operating lease right-of-use assets	49,948	—
Equity in earnings of joint ventures	(6,072)	(9,547)
Distributions from joint ventures	3,924	21,783
Amortization of deferred financing costs and loan discount	3,103	2,924
Loss (gain) on sale and disposal of equipment and other	1,990	(2,204)
Stock-based compensation	6,963	6,557
Other noncash items included in cost of operations	(559)	—
Change in fair value of contingent consideration	(1,749)	—
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed in purchase transactions:		
Accounts receivable	(3,467)	(9,641)
Other current assets	(1,569)	(5,680)
Other assets	(5,770)	(1,209)
Deferred taxes	(4,230)	1,531
Operating lease liability	(49,721)	—
Deferred rent	—	2,397
Deferred revenue	(490)	353
Accounts payable, accrued expenses and other	19,349	20,386
Net cash provided by operating activities	82,603	87,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of imaging facilities	(27,150)	(17,393)
Equity investments at fair value	(143)	(2,200)
Purchase of property and equipment	(68,269)	(62,595)
Proceeds from sale of equipment	760	2,587
Proceeds from the sale of equity interests in a joint venture	132	—
Nulogix return of capital	792	—
Equity contributions in existing and purchase of interest in joint ventures	(103)	(2,000)
Net cash used in investing activities	(93,981)	(81,601)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes and leases payable	(4,778)	(4,374)
Payments on term loan debt	(29,918)	(24,810)
Proceeds from debt issuance	97,144	—
Distributions paid to noncontrolling interests	(1,818)	(913)
Proceeds from sale of noncontrolling interest	5,275	—
Contribution from noncontrolling partner	750	—
Proceeds from revolving credit facility	251,200	44,000
Purchase of noncontrolling interests	—	(200)
Payments on revolving credit facility	(279,200)	(44,000)

Proceeds from issuance of common stock upon exercise of options	50	10
Net cash provided by (used in) financing activities	38,705	(30,287)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(28)	(65)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,299	(24,095)
CASH AND CASH EQUIVALENTS, beginning of period	10,389	51,322
CASH AND CASH EQUIVALENTS, end of period	$ 37,688	$ 27,227
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 36,058	$ 27,136

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(unaudited)

Supplemental Schedule of Non-Cash Investing and Financing Activities

We acquired equipment and certain leasehold improvements for approximately $14.1 million and $14.2 million during the nine months ended September 30, 2019 and 2018, respectively, which were not paid for as of September 30, 2019 and 2018**,** respectively. The offsetting amounts due were recorded in our condensed consolidated balance sheet under accounts payable, accrued expenses and other.

During the nine months ended September 30, 2018 we incurred, exclusive of commitments assumed through acquisitions, capital lease debt of approximately $4.0 million from our partner in the formation of Beach Imaging LLC. No such action was taken for the nine months ended September 30, 2019.

We received $15.0 million in fixed assets in January 2018 from our partner in Beach Imaging LLC.

We transferred approximately $4.3 million in net assets to our new joint venture, Ventura County Imaging Group. LLC in March 2019. See Note 4, Facility Acquisitions and Dispositions, for further information.

On February 27, 2019, we issued 440,207 shares of our common stock to the sellers of Hudson Valley Radiology Associates, P.L.L.C. ("HVRA") which permitted our variable interest entity, Lenox Hill Radiology and Medical Imaging Associates, P.C., to complete its purchase of the membership interest of HVRA. The shares were ascribed a value of $6.0 million.

On August 1, 2019 we issued RadNet common stock in the amount of $1.5 million to acquire 75% controlling interest in our formerly 25% owned joint venture Nulogix. See Note 2, Significant Accounting Policies, for further information.

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RADNET, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

We are a national provider of freestanding, fixed-site outpatient diagnostic imaging services in the United States based on number of locations and annual imaging revenue. At September 30, 2019, we operated directly or indirectly through joint ventures with hospitals, 340 centers located in California, Delaware, Florida, Maryland, New Jersey, and New York. Our centers provide physicians with imaging capabilities to facilitate the diagnosis and treatment of diseases and disorders. Our services include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine, mammography, ultrasound, diagnostic radiology (X-ray), fluoroscopy and other related procedures. The vast majority of our centers offer multi-modality imaging services. Our multi-modality strategy diversifies revenue streams, reduces exposure to reimbursement changes and provides patients and referring physicians one location to serve the needs of multiple procedures.

The consolidated financial statements include the accounts of Radnet Management, Inc. (or “Radnet Management”) and Beverly Radiology Medical Group III, a professional partnership (“BRMG”). BRMG is a partnership of ProNet Imaging Medical Group, Inc., Beverly Radiology Medical Group, Inc. and Breastlink Medical Group, Inc. (formerly known as Westchester Medical Group Inc.). The consolidated financial statements also include Radnet Management I, Inc., Radnet Management II, Inc., Radiologix, Inc., Radnet Managed Imaging Services, Inc., Delaware Imaging Partners, Inc., New Jersey Imaging Partners, Inc. and Diagnostic Imaging Services, Inc., all wholly owned subsidiaries of Radnet Management. All of these affiliated entities are referred to collectively as “RadNet”, “we”, “us”, “our” or the “Company” in this report.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) 810-10-15-14, Consolidation, stipulates that generally any entity with a) insufficient equity to finance its activities without additional subordinated financial support provided by any parties, or b) equity holders that, as a group, lack the characteristics specified in the ASC which evidence a controlling financial interest, is considered a Variable Interest Entity (“VIE”). We consolidate all VIEs in which we are the primary beneficiary. We determine whether we are the primary beneficiary of a VIE through a qualitative analysis that identifies which variable interest holder has the controlling financial interest in the VIE. The variable interest holder who has both of the following has the controlling financial interest and is the primary beneficiary: (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In performing our analysis, we consider all relevant facts and circumstances, including: the design and activities of the VIE, the terms of the contracts the VIE has entered into, the nature of the VIE’s variable interests issued and how they were negotiated with or marketed to potential investors, and which parties participated significantly in the design or redesign of the entity.

Howard G. Berger, M.D., is our President and Chief Executive Officer, a member of our Board of Directors, and also owns, indirectly, 99% of the equity interests in BRMG. BRMG is responsible for all of the professional medical services at nearly all of our facilities located in California under a management agreement with us, and employs physicians or contracts with various other independent physicians and physician groups to provide the professional medical services at most of our California facilities. We generally obtain professional medical services from BRMG in California, rather than provide such services directly or through subsidiaries, in order to comply with California’s prohibition against the corporate practice of medicine. However, as a result of our close relationship with Dr. Berger and BRMG, we believe that we are able to better ensure that medical service is provided at our California facilities in a manner consistent with our needs and expectations and those of our referring physicians, patients and payors than if we obtained these services from unaffiliated physician groups.

We contract with seven medical groups which provide professional medical services at all of our facilities in Manhattan and Brooklyn, New York (“the NY Groups”). These contracts are similar to our contract with BRMG. Five of the NY Groups are owned or controlled by John V. Crues, III, M.D., RadNet’s Medical Director, a member of our Board of Directors, and a 1% owner of BRMG. Dr Berger owns a controlling interest in two of the NY Groups which provide professional medical services at one of our Manhattan facilities.

RadNet provides non-medical, technical and administrative services to BRMG and the NY Groups for which it receives a management fee, pursuant to the related management agreements. Through the management agreements we have exclusive authority over all non-medical decision making related to the ongoing business operations of BRMG and the NY Groups and we determine the annual budget of BRMG and the NY Groups. BRMG and the NY Groups both have insignificant operating assets and liabilities, and de minimis equity. Through management agreements with us, substantially all cash flows of BRMG and the NY Groups after expenses including professional salaries are transferred to us.

We have determined that BRMG and the NY Groups are VIEs, that we are the primary beneficiary, and consequently, we

consolidate the revenue and expenses, assets and liabilities of each. BRMG and the NY Groups on a combined basis recognized

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$40.6 million and $33.2 million of revenue, net of management service fees to RadNet, for the three months ended September 30, 2019 and 2018, respectively, and $40.6 million and $33.2 million of operating expenses for the three months ended September 30, 2019 and 2018, respectively. RadNet recognized in its condensed consolidated statement of operations $154.5 million and $126.8 million of net revenues for the three months ended September 30, 2019, and 2018 respectively, for management services provided to BRMG and the NY Groups relating primarily to the technical portion of total billed revenue.

BRMG and the NY Groups on a combined basis recognized $116.9 million and $100.7 million of revenue, net of management service fees to RadNet, for the nine months ended September 30, 2019 and 2018, respectively, and $116.9 million and $100.7 million of operating expenses for the nine months ended September 30, 2019 and 2018, respectively. RadNet recognized in its condensed consolidated statement of operations $456.1 million and $378.7 million of net revenues for the nine months ended September 30, 2019, and 2018 respectively, for management services provided to BRMG and the NY Groups relating primarily to the technical portion of total billed revenue.

The cash flows of BRMG and the NY Groups are included in the accompanying consolidated statements of cash flows. All intercompany balances and transactions have been eliminated in consolidation. In our consolidated balance sheets at September 30, 2019 and December 31, 2018, we have included approximately $95.0 million and $88.9 million, respectively, of accounts receivable and approximately $6.9 million and $5.6 million, respectively, of accounts payable and accrued liabilities related to BRMG and the NY Groups. Also in our consolidated balance sheets at September 30, 2019 we have included $3.9 million in intangible assets related to the purchase of membership interest of a New York Group VIE.

The creditors of BRMG and the NY Groups do not have recourse to our general credit and there are no other arrangements that could expose us to losses on behalf of BRMG and the NY Groups. However, RadNet may be required to provide financial support to cover any operating expenses in excess of operating revenues.

We also own a 49% economic interest in ScriptSender, LLC, which provides secure data transmission services of medical information. Through a management agreement, RadNet provides management and accounting services and receives an agreed upon fee. ScriptSender LLC is dependent on the Company to finance its own activities, and as such we determined that it is a VIE but we are not a primary beneficiary since we do not have the power to direct the activities of the entity that most significantly impact the entity’s economic performance.

At all of our centers we have entered into long-term contracts with radiology groups in the area to provide physician services at those facilities. These radiology practices provide professional services, including supervision and interpretation of diagnostic imaging procedures, in our diagnostic imaging centers. The radiology practices maintain full control over the provision of professional services. In these facilities we enter into long-term agreements with radiology practice groups (typically 40 years). Under these arrangements, in addition to obtaining technical fees for the use of our diagnostic imaging equipment and the provision of technical services, we provide management services and receive a fee based on the value of the services we provide. Except in New York City, the fee is based on the practice group’s professional revenue, including revenue derived outside of our diagnostic imaging centers. In New York City we are paid a fixed fee set in advance for our services. We own the diagnostic imaging equipment and, therefore, receive 100% of the technical reimbursements associated with imaging procedures. The radiology practice groups retain the professional reimbursements associated with imaging procedures after deducting management service fees paid to us and we have no financial controlling interest in the radiology practices.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and, therefore, do not include all information and footnotes necessary for conformity with U.S. generally accepted accounting principles for complete financial statements; however, in the opinion of our management, all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods ended September 30, 2019 and 2018 have been made. The results of operations for any interim period are not necessarily indicative of the results for a full year. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto contained in our annual report on Form 10-K for the year ended December 31, 2018.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

During the period covered in this report, we adopted a new significant accounting policy on Leases as described in Note 5 below. Except for the policy on Leases, there have been no material changes to the significant accounting policies we use and have explained, in our annual report on Form 10-K for the fiscal year ended December 31, 2018. The information below is intended only to supplement the disclosure in our annual report on Form 10-K for the fiscal year ended December 31, 2018.

REVENUES - Our revenues generally relate to net patient fees received from various payers and patients themselves under

contracts in which our performance obligations are to provide diagnostic services to the patients. Revenues are recorded

during the period our obligations to provide diagnostic services are satisfied. Our performance obligations for diagnostic services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services we provide to the related patients typically specify payments at amounts less than our standard charges and generally provide for payments based upon predetermined rates per diagnostic services or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

As it relates to BRMG and NY Group centers, this service fee revenue includes payments for both the professional medical interpretation revenue recognized by BRMG and the NY Groups as well as the payment for all other aspects related to our providing the imaging services, for which we earn management fees from BRMG and the NY Groups. As it relates to non-BRMG centers, this service fee revenue is earned through providing the use of our diagnostic imaging equipment and the provision of technical services as well as providing administration services such as clerical and administrative personnel, bookkeeping and accounting services, billing and collection, provision of medical and office supplies, secretarial, reception and transcription services, maintenance of medical records, and advertising, marketing and promotional activities.

Our revenues are based upon the estimated amounts we expect to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect.

Under capitation arrangements with various health plans, we earn a per-enrollee amount each month for making available diagnostic imaging services to all plan enrollees under the capitation arrangement. Revenue under capitation arrangements is recognized in the period in which we are obligated to provide services to plan enrollees under contracts with various health plans.

Our total revenues during the three and nine months ended September 30, 2019 and 2018 are presented in the table below based on an allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Commercial insurance	$ 163,152	$ 135,445	$ 475,064	$ 397,193
Medicare	61,599	48,243	175,825	141,348
Medicaid	7,128	6,323	21,564	19,129
Workers' compensation/personal injury	10,865	8,810	32,950	25,714
Other patient revenue	6,085	6,205	17,947	18,318
Management fee revenue	1,792	3,615	5,662	11,237
Teleradiology and Software revenue	4,412	4,063	12,861	11,879
Other	6,875	4,848	20,878	16,318
Service fee revenue	261,908	217,552	762,751	641,136
Revenue under capitation arrangements	30,784	24,596	90,587	76,799
Total revenue	$ 292,692	$ 242,148	$ 853,338	$ 717,935

RECLASSIFICATION – We have reclassified certain amounts within our table of total revenue for 2018 to conform to our 2019 presentation. In addition, we have reclassified certain amounts within our condensed consolidated statements of equity for the three and nine months ended September 30, 2018 in common shares issued and additional paid in capital to conform to our 2019 presentation.

ACCOUNTS RECEIVABLE - Substantially all of our accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, or directly from patients. Services

are generally provided pursuant to one-year contracts with healthcare providers. We continuously monitor collections from our

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payors and maintain an allowance for bad debts based upon specific payor collection issues that we have identified and our historical experience.

In 2018 and 2019 we entered into factoring agreements with various institutions and sold certain accounts receivable under non-recourse agreements. These transactions are accounted for as a reduction in accounts receivable as the agreements transfer effective control over and risk related to the receivables to the buyers. As of the nine months ended September 30, 2019, the amount factored under these facilities was $9.0 million, inclusive of discount recorded to reflect the difference between market interest rates and the stated interest rate of the receivable. Payments on notes receivable will be reflected as operating activities on our statement of cash flows and on our balance sheet as prepaid expenses and other current assets for the current portion and deposits and other for the long term portion. At September 30, 2019 we have $24.3 million, net of discount, remaining to be collected on these agreements. We do not utilize factoring arrangements as an integral part of our financing for working capital.

DEFERRED FINANCING COSTS - Costs of financing are deferred and amortized using the effective interest rate method. Deferred financing costs, net of accumulated amortization, were $1.7 million and $1.4 million, as of September 30, 2019 and December 31, 2018, respectively and related to our line of credit. In conjunction with our Sixth Amendment and Seventh Amendment to our First Lien Credit Agreement (as defined below), a net addition of approximately $683,000 was added to deferred financing costs. See Note 6, Credit Facility, Notes Payable, and Capital Lease Obligations, for more information.

INVENTORIES - Inventories, consisting mainly of medical supplies, are stated at the lower of cost or net realizable value with cost determined by the first-in, first-out method.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is performed using the straight-line method over the estimated useful lives of the assets acquired, which range from 3 to 15 years. Leasehold improvements are amortized at the lesser of lease term or their estimated useful lives, which range from 3 to 15 years. Maintenance and repairs are charged to expense as incurred.

BUSINESS COMBINATION - When the qualifications for business combination accounting treatment are met, it requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

GOODWILL AND INDEFINITE LIVED INTANGIBLES - Goodwill at September 30, 2019 totaled $439.9 million. Indefinite lived intangible assets at September 30, 2019 were $11.9 million. Goodwill and Indefinite Lived Intangibles are recorded as a result of business combinations. When we determine the carrying value of reporting unit exceeds its fair value an impairment charge would be recognized and should not exceed the total amount of goodwill allocated to that reporting unit. We tested goodwill and indefinite lived intangibles for impairment on October 1, 2018. During the review we noted our Teleradiology unit, Imaging On Call, (IOC), experienced a reduction of professional medical group clients and a contract with a major local health provider during 2018. This affected its estimated fair value and resulted in impairment charges to the reporting unit of $3.9 million for the twelve months ended December 31, 2018, with goodwill representing $3.8 million of the total and the remainder being its trade name of approximately $100,000. We have not identified any indicators of impairment through September 30, 2019. Activity in goodwill for the nine months ended September 30, 2019 is provided below (in thousands):

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Balance as of December 31, 2018	$	418,093
Adjustments to our preliminary allocation of the purchase price of Medical Arts Radiological Group, P.C.		722
Goodwill acquired through the acquisition of certain assets of Dignity Health		1
Goodwill acquired through the acquisition of certain assets of West Valley Imaging Center, LLC		2,490
Goodwill disposed through sale of assets		(123)
Goodwill acquired by Lenox Hill Radiology through the membership purchase of HVRA		3,125
Goodwill acquired through the acquisition of certain assets of Kern Radiology, Inc.		10,507
Goodwill acquired through the acquisition of certain assets of Zilkha Radiology, Inc.		2,577
Goodwill acquired through the acquisition of certain assets of Ramic Mahwah, LLC		231
Goodwill acquired through the acquisition of GSRN		887
Goodwill acquired through the acquisition of Nulogix		1,357
Balance as of September 30, 2019	$	439,867

INCOME TAXES - Income tax expense is computed using an asset and liability method and using expected annual effective tax rates. Under this method, deferred income tax assets and liabilities result from temporary differences in the financial reporting bases and the income tax reporting bases of assets and liabilities. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefit that, based on available evidence, is not expected to be realized. When it appears more likely than not that deferred taxes will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its estimated realizable value. For net deferred tax assets we consider estimates of future taxable income in determining whether our net deferred tax assets are more likely than not to be realized.

We recorded an income tax expense of $1.8 million, or an effective tax rate of 26.3%, for the three months ended September 30, 2019 compared to income tax expense for the three months ended September 30, 2018 of $2.8 million, or an effective tax rate of 32.9%. We recorded an income tax expense of $3.6 million, or an effective tax rate of 24.8% for the nine months ended September 30, 2019 compared to income tax expense for the nine months ended September 30, 2018 of $2.8 million or an effective tax rate of 29.5%. The income tax rates for the three and nine months ended September 30, 2019 diverge from the federal statutory rate due to (i) noncontrolling interests due to the controlled partnerships; (ii) effects of state income taxes; (iii) excess tax benefits attributable to share-based compensation; and adjustment associated with uncertain tax positions.

We are not under examination in any jurisdiction and the years ended December 31, 2017, 2016, and 2015 remain subject to examination. We believe no significant changes in the unrecognized tax benefits will occur within the next 12 months.

LEASES - We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and long term operating lease liability in our consolidated balance sheets. Finance leases are included in property and equipment, current finance lease liability, and long-term finance lease liability in our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. We include options to extend a lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For a contract in which we are a lessee that contains fixed payments for both lease and non-lease components, we have elected to account for the components as a single lease component, as permitted. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-of-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. See Note 5, Leases, for more information.

EQUITY BASED COMPENSATION – We have one long-term incentive plan that we adopted in 2006 and which we first amended and restated as of April 20, 2015, and again on March 9, 2017 (the "Restated Plan"). The Restated Plan was approved by our stockholders at our annual stockholders meeting on June 8, 2017. We have reserved for issuance under the Restated Plan 14,000,000 shares of common stock. We can issue options, stock awards, stock appreciation rights, stock units and cash awards under the Restated Plan. Certain options granted under the Restated Plan to employees are intended to qualify as incentive stock options under existing tax regulations. Stock options and warrants generally vest over three to five years and expire five to ten years from date of grant. The compensation expense recognized for all equity-based awards is recognized over the awards' service periods. Equity-based compensation is classified in operating expenses within the same line item as the majority of the cash compensation paid to employees. See Note 7, Stock-Based Compensation, for more information.

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COMPREHENSIVE (LOSS) INCOME - ASC 220 establishes rules for reporting and displaying comprehensive loss or income and its components. Our unrealized gains or losses on foreign currency translation adjustments, interest rate cap and SWAP agreements are included in comprehensive (loss) income and are included in the consolidated statements of comprehensive (loss) income for the three and nine months ended September 30, 2019 and 2018.

COMMITMENTS AND CONTINGENCIES - We are party to various legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business. With respect to these matters, we evaluate the developments on a regular basis and accrue a liability when we believe a loss is probable and the amount can be reasonably estimated. We believe that the amount or any estimable range of reasonably possible or probable loss will not, either individually or in the aggregate, have a material adverse effect on our business and consolidated financial statements. However, the outcome of these matters is inherently uncertain. Therefore, if one or more of these matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable, could be materially adversely affected.

In the second quarter of 2019, RadNet accrued a liability of $2.3 million related to allegations by the US Attorney's Office for the Western District of New York that RadNet submitted certain claims that incorrectly identified the physician who furnished the radiology services. The final settlement, which admits no wrong-doing on behalf of RadNet, was $2.2 million and paid in September 2019.

DERIVATIVE INSTRUMENTS

2016 CAPS

In the fourth quarter of 2016, we entered into two forward interest rate cap agreements ("2016 Caps"). The 2016 Caps will mature in September and October 2020. The 2016 Caps had notional amounts of $150,000,000 and $350,000,000, respectively, which were designated at inception as cash flow hedges of future cash interest payments associated with portions of our variable rate bank debt. Under these arrangements, the Company purchased a cap on 3 month LIBOR at 2.0%. We incurred a $5.3 million premium to enter into the 2016 Caps which is being accrued over the life of the agreements.

At inception, we designated our 2016 Caps as cash flow hedges of floating-rate borrowings. In accordance with ASC Topic 815, derivatives that have been designated and qualify as cash flow hedging instruments are reported at fair value. The gain or loss of the hedge (i.e. change in fair value) is reported as a component of comprehensive loss in the consolidated statement of equity. See Fair Value Measurements section below for the fair value of the 2016 Caps at September 30, 2019.

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A tabular presentation of the effect of derivative instruments on our consolidated statement of comprehensive loss of the 2016 Caps is as follows (amounts in thousands):

For the three months ended September 30, 2019

Account	July 1, 2019 Balance	Amount of comprehensive loss recognized on derivative net of taxes	September 30, 2019 Balance	Location
Accumulated Other Comprehensive Loss	(768)	(251)	(1,019)	Liabilities and Equity

For the nine months ended September 30, 2019

Account	January 1, 2019 Balance	Amount of comprehensive loss recognized on derivative net of taxes	September 30, 2019 Balance	Location
Accumulated Other Comprehensive Income (Loss)	2,506	(3,525)	(1,019)	Liabilities and Equity

2019 SWAPS

In the second quarter of 2019, we entered into four forward interest rate agreements ("2019 SWAPS"). The 2019 SWAPS have total notional amounts of $500,000,000, consisting of two agreements of $50,000,000 each and two agreements of $200,000,000 each. The 2019 SWAPS will secure a constant interest rate associated with portions of our variable rate bank debt and have an effective date of October 13, 2020. They will mature in October 2023 for the smaller notional and October 2025 for the larger notional. Under these arrangements, we arranged the 2019 SWAPS with locked in 1 month LIBOR rates at 1.96% for the $100,000,000 notional and at 2.05% for the $400,000,000 notional. As of the effective date, we will be liable for premium payments if interest rates decline below arranged rates, but will receive interest payments if rates remain above the arranged rates.

At inception, we designated our 2019 SWAPS as cash flow hedges of floating-rate borrowings. In accordance with ASC Topic 815, derivatives that have been designated and qualify as cash flow hedging instruments are reported at fair value. The gain or loss of the hedge (i.e. change in fair value) is reported as a component of comprehensive loss in the consolidated statement of equity. See Fair Value Measurements section below for the fair value of the 2019 SWAPS at September 30, 2019.

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A tabular presentation of the effect of derivative instruments on our consolidated statement of comprehensive loss of the 2019 SWAPS is as follows (amounts in thousands):

For the three months ended September 30, 2019

Account	July 1, 2019 Balance	Amount of comprehensive loss recognized on derivative net of taxes	September 30, 2019 Balance	Location
Accumulated Other Comprehensive Loss	$ (5,924)	$ (5,032)	$ (10,956)	Liabilities and Equity

For the nine months ended September 30, 2019

Account	January 1, 2019 Balance	Amount of comprehensive loss recognized on derivative net of taxes	September 30, 2019 Balance	Location
Accumulated Other Comprehensive Loss	—	$ (10,956)	$ (10,956)	Liabilities and Equity

FAIR VALUE MEASUREMENTS – Assets and liabilities subject to fair value measurements are required to be disclosed within a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of inputs used to determine fair value. Accordingly, assets and liabilities carried at, or permitted to be carried at, fair value are classified within the fair value hierarchy in one of the following categories based on the lowest level input that is significant to a fair value measurement:

Level 1—Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets and liabilities.

Level 2—Fair value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. Related inputs can also include those used in valuation or other pricing models such as interest rates and yield curves that can be corroborated by observable market data.

Level 3—Fair value is determined by using inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgment.

Derivatives:

The tables below summarizes the estimated fair values of certain of our financial assets that are subject to fair value measurements, and the classification of these assets on our consolidated balance sheets, as follows (in thousands):

	As of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Current and long term liabilities				
2016 Caps - Interest Rate Contracts	$ —	$ 906	$ —	$ 906
2019 SWAPS - Interest Rate Contracts	$ —	$ 15,473	$ —	$ 15,473

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Current assets				
2016 Caps - Interest Rate Contracts	$ —	$ 3,316	$ —	$ 3,316

The estimated fair value of these contracts was determined using Level 2 inputs. More specifically, the fair value was determined by calculating the value of the difference between the fixed interest rate of the interest rate swaps and the counterparty's forward LIBOR curve. The forward LIBOR curve is readily available in the public markets or can be derived from information available in the public markets.

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Long Term Debt:

The table below summarizes the estimated fair value compared to our face value of our long-term debt as follows (in thousands):

	As of September 30, 2019				
	Level 1	Level 2	Level 3	Total Fair Value	Total Face Value
First Lien Term Loans and SunTrust Term Loan	$ —	$ 718,172	$ —	$ 718,172	$ 716,522
	As of December 31, 2018				
	Level 1	**Level 2**	**Level 3**	**Total**	**Total Face Value**
First Lien Term Loans and SunTrust Term Loan	$ —	$ 633,229	$ —	$ 633,229	$ 646,441

As of September 30, 2019 our Barclays revolving credit facility had no balance outstanding while at December 31, 2018, our Barclays revolving credit facility had a $28.0 million aggregate principal amount outstanding. Our SunTrust revolving credit facility relating to our consolidated subsidiary NJIN, had no principal amount outstanding at September 30, 2019 and at December 31, 2018.

The estimated fair value of our long-term debt, which is discussed in Note 6, was determined using Level 2 inputs primarily related to comparable market prices.

We consider the carrying amounts of cash and cash equivalents, receivables, other current assets, current liabilities and other notes payables to approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization or payment. Additionally, we consider the carrying amount of our capital lease obligations to approximate their fair value because the weighted average interest rate used to formulate the carrying amounts approximates current market rates.

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EARNINGS PER SHARE - Earnings per share is based upon the weighted average number of shares of common stock and common stock equivalents outstanding, net of common stock held in treasury, as follows (in thousands except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to RadNet, Inc.'s common stockholders	$ 3,195	$ 5,039	$ 4,360	$ 3,107
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO RADNET, INC.'S COMMON STOCKHOLDERS				
Weighted average number of common shares outstanding during the period	49,807,460	48,010,726	49,597,138	47,937,215
Basic net income per share attributable to RadNet, Inc.'s common stockholders	$ 0.06	$ 0.10	$ 0.09	$ 0.06
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO RADNET, INC.'S COMMON STOCKHOLDERS				
Weighted average number of common shares outstanding during the period	49,807,460	48,010,726	49,597,138	47,937,215
Add nonvested restricted stock subject only to service vesting	200,567	180,269	191,375	171,627
Add additional shares issuable upon exercise of stock options and warrants	352,333	424,397	324,793	372,463
Weighted average number of common shares used in calculating diluted net income per share	50,360,360	48,615,392	50,113,306	48,481,305
Diluted net income per share attributable to RadNet, Inc.'s common stockholders	$ 0.06	$ 0.10	$ 0.09	$ 0.06
Stock options excluded from the computation of diluted per share amounts:				
Weighted average shares for which the exercise price exceeds average market price of common stock	—	—	—	8,333

EQUITY INVESTMENTS AT FAIR VALUE–Accounting guidance requires entities to measure equity investments at fair value, with any changes in fair value recognized in net income. If there is no readily determinable fair value, the guidance allows entities the ability to measure investments at cost less impairment.

As of September 30, 2019, we have two equity investments for which a fair value is not readily determinable and therefore the total amounts invested are recognized at cost as follows:

Medic Vision:

Medic Vision Imaging Solutions Ltd., based in Israel, specializes in software packages that provide compliant radiation dose structured reporting and enhanced images from reduced dose CT scans.

On March 24, 2017, we acquired an initial 12.5% equity interest in Medic Vision for $1.0 million. We also received an option to exercise warrants to acquire up to an additional 12.5% equity interest for $1.4 million within one year from the initial share purchase date, if exercised in full. On March 1, 2018 we exercised our warrant in part and acquired an additional 1.96% for $200,000. Our initial equity interest has been diluted to 12.25% and our total equity investment stands at 14.21%.

In accordance with accounting guidance, as we exercise no significant influence over Medic Vision's operations, the investment is recorded at its cost of $1.2 million, given that the fair value is not readily determinable. No impairment in our investment was identified as of September 30, 2019.

Turner Imaging:

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Turner Imaging Systems, based in Utah, develops and markets portable X-ray imaging systems that provide a user the ability to acquire X-ray images wherever and whenever they are needed. On February 1, 2018, we purchased 2.1 million preferred shares in Turner Imaging Systems for $2.0 million. On January 1, 2019 we funded a convertible promissory note in the amount of $143,000 that will convert to additional preferred shares no later than December 21, 2019. No impairment in our investment was identified as of September 30, 2019.

INVESTMENT IN JOINT VENTURES – We have 12 unconsolidated joint ventures with ownership interests ranging from 35% to 55%. These joint ventures represent partnerships with hospitals, health systems or radiology practices and were formed for the purpose of owning and operating diagnostic imaging centers. Professional services at the joint venture diagnostic imaging centers are performed by contracted radiology practices or a radiology practice that participates in the joint venture. Our investment in these joint ventures is accounted for under the equity method, since RadNet does not have a controlling financial interest in such ventures. We evaluate our investment in joint ventures, including cost in excess of book value (equity method goodwill) for impairment whenever indicators of impairment exist. No indicators of impairment existed as of September 30, 2019.

Sale of joint venture interest:

On April 1, 2017, we formed in conjuncture with Cedars Sinai Medical Center (“CSMC”) the Santa Monica Imaging Group, LLC (“SMIG”), consisting of two multi-modality imaging centers located in Santa Monica, CA with RadNet holding a 40% economic interest and CSMC holding a 60% economic interest. RadNet accounts for our share of the venture under the equity method. On January 1, 2019, CSMC purchased from the us an additional five percent economic interest in SMIG valued at $134,000. As a result of the transaction, our economic interest in SMIG has been reduced to 35%. We recorded a loss of $2,000 on the transaction.

Change in control of existing joint ventures:

On October 6, 2014, we acquired a 49% equity interest in Garden State Radiology, LLC for cash consideration of $2.2 million. The venture consisted of two imaging centers located in New Jersey. On August 1, 2019, the entity was dissolved by transferring ownership of the assets of the centers to the partners for no consideration, with each partner receiving full ownership of one center. See Note 4, Facility Acquisitions and Dispositions, for further information.

On April 12, 2018 we acquired 25% share capital in Nulogix, Inc. for cash consideration of $2.0 million. On August 1, 2019 we completed via the issuance of RadNet common stock valued at $1.5 million, the acquisition of the remaining 75% economic interest and we now consolidate the financial statements of Nulogix. See Note 4, Facility Acquisitions and Dispositions, for further information.

Joint venture investment and financial information

The following table is a summary of our investment in joint ventures during the nine months ended September 30, 2019 (in thousands):

Balance as of December 31, 2018	$	37,973
Equity in earnings in these joint ventures		6,072
Distribution of earnings		(3,924)
Sale of ownership interest		(134)
Dissolution of GRSN		(1,427)
Nulogix change in control		(1,795)
Equity contributions in existing joint ventures		103
Balance as of September 30, 2019	$	36,868

We charged management service fees from the centers underlying these joint ventures of approximately $2.5 million and $3.5 million for the quarters ended September 30, 2019 and 2018, respectively and $7.8 million and $10.6 million for the nine months ended September 30, 2019 and 2018, respectively. We eliminate any unrealized portion of our management service fees with our equity in earnings of joint ventures.

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The following table is a summary of key balance sheet data for these joint ventures as of September 30, 2019 and December 31, 2018 and income statement data for the nine months ended September 30, 2019 and 2018 (in thousands):

Balance Sheet Data:	September 30, 2019	December 31, 2018
Current assets	$ 32,401	$ 28,317
Noncurrent assets	62,564	45,912
Current liabilities	(9,383)	(4,300)
Noncurrent liabilities	(20,113)	(4,898)
Total net assets	$ 65,469	$ 65,031
Book value of RadNet joint venture interests	$ 30,421	$ 30,030
Cost in excess of book value of acquired joint venture interests	6,447	7,943
Total value of Radnet joint venture interests	$ 36,868	$ 37,973
Total book value of other joint venture partner interests	$ 35,048	$ 35,001

Income statement data for the nine months ended September 30,	2019	2018
Net revenue	$ 80,115	$ 136,413
Net income	$ 13,718	$ 20,271

NOTE 3 – RECENT ACCOUNTING AND REPORTING STANDARDS

Accounting standards adopted

In February 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which amends the existing accounting standards for leases. In September 2017, the FASB issued ASU No. 2017-13 which provides additional clarification and implementation guidance on the previously issued ASU No. 2016-02. Subsequently, in July 2018, the FASB issued ASU No 2018-10, Codification Improvements to Topic 842, Leases, and ASU No. 2018-11, Targeted Improvement, to clarify and amend the guidance in ASU No. 2016-02. The amendments in this update were effective for fiscal years (and interim reporting periods within fiscal years) beginning after December 15, 2018, with early adoption permitted for all entities. Under the new guidance, a lessee is required to recognize a lease liability and right-of-use asset for all leases with terms in excess of twelve months. The new guidance also requires additional disclosures to enable users of financial statements to understand the amount, timing, and potential uncertainty of cash flows arising from leases. Consistent with current guidance, a lessee's recognition, measurement, and presentation of expenses and cash flows arising from a lease will continue to depend primarily on its classification. We have elected the optional transition method to apply the standard as of the effective date and therefore, we will not apply the standard to the comparative periods presented in the consolidated financial statements. We elected the transition package of three practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. For facility and equipment operating leases, the effect of the adoption amounted to a lease liability of approximately $455.5 million. Operating lease right-of-use assets were recorded in the amount of approximately $419.0 million. Inclusive in the adoption was the transfer of approximately $35.3 million in deferred rent liability and $792,000 in unfavorable rental contract liabilities to operating lease right of use assets. For finance leases, the effect of the adoption amounted to a finance lease liability of approximately $12.1 million, which was transfered from capital lease debt. Equipment leased under the finance arrangements, amounting to $14.1 million, remained in property, plant and equipment. The transition adjustment did not have a material impact on the statement of operations or cash flows. See Note 5, Leases, for more information.

In February 2018, the FASB issued ASU No. 2018-02 ("ASU 2018-02"), *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-02 allows for the reclassification of certain income tax effects related to the Tax Cuts and Jobs Act between "Accumulated other comprehensive income" and "Retained earnings." This ASU relates to the requirement that adjustments to deferred tax liabilities and assets related to a change in tax laws or rates to be included in "Income from continuing operations", even in situations where the related items were originally recognized in "Other comprehensive income" (rather than in "Income from continuing operations"). Subsequently, in March 2018, the FASB issued ASU No.

2018-05, *Income Taxes,* to clarify and amend guidance in ASU 2018-02. ASU 2018-02 and ASU 2018-05 are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption

permitted. Adoption of this ASU is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the tax laws or rates were recognized. The adoption had no significant impact on the our results of operations, financial position and cash flows.

In April 2019, the FASB issued ASU 2019-04, ("ASU 2019-04"), *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, which, among other things, clarifies certain hedge accounting guidance. For the year ended 2017, we elected to early adopt ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, (Topic 815), for which this current ASU 2019-04 amends. For those entities that have already adopted ASU 2017-12, the hedging amendments in ASU 2019-04 are effective as of the beginning of the first annual reporting period beginning after 25 April 2019 and early adoption is permitted. We elected early adoption of ASU 2019-04 and the adoption had no effect on our financial statements.

Accounting standards not yet adopted

In June 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13), *Financial Instruments - Credit Losses.* ASU 2016-13 replaces the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard will be effective for us beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of this standard on our consolidated financial statements, including accounting policies, processes, and systems.

In August 2018, the FASB issued ASU No. 2018-15 (“ASU 2018-15”), *Intangibles-Goodwill and Other-Internal-Use Software.* ASU 2018-15 aligns the requirements for deferring implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU is effective in the first quarter of 2020 with early adoption permitted and can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently assessing the impact of the adoption of this ASU on the Company’s results of operations, financial position and cash flows.

NOTE 4 – FACILITY ACQUISITIONS AND ASSETS HELD FOR SALE

Acquisitions

On August 1, 2019 we completed a step-up acquisition upon the dissolution of our former 49% owned joint venture, Garden State Radiology LLC ("GSRN"). GSRN consisted of two multi-modality centers operating in New Jersey. GSRN became our wholly owned subsidiary with the withdrawal of the 51% majority partner for the full ownership of one center with no other consideration. We made a preliminary fair value determination of our original 49% interest which resulted in a step-up gain of $114,000. We determined a preliminary fair value of the remaining acquired imaging center of $1.9 million in assets and $426,000 in liabilities were recognized. We recorded $1,000 in other assets, $599,000 in fixed assets, $426,000 in right-of-use assets, $426,000 in operating lease liabilities, and $888,000 in goodwill.

On August 1, 2019 we completed a step-up acquisition of our former 25% owned joint venture, Nulogix, via a stock issuance of RadNet common shares valued at $1.5 million to obtain the remaining 75% outstanding Nulogix shares. We made a preliminary fair value determination of the acquired assets and approximately $189,000 in fixed assets, $732,000 in intangible assets, $278,000 in deferred tax liability and goodwill of $1.4 million were recorded. We also made a fair value determination of our 25% pre existing interest in the business and recognized a loss of $504,000 which is included in operating expenses within the condensed consolidated statements of operations.

On April 1, 2019 we completed our acquisition of certain assets of Kern Radiology Imaging Systems Inc., consisting of four multi-modality imaging centers located in Bakersfield, California for purchase consideration of $19.3 million. We have made a preliminary fair value determination of the acquired assets and assumed liabilities and approximately $10.1 million in property and equipment, $9.7 million in right-of-use assets, $36,000 in other assets, $3.4 million in intangible assets, $14.5 million in operating lease liabilities, and $10.5 million in goodwill were recorded.

On April 1, 2019 we completed our acquisition of certain assets of Zilkha Radiology Inc. consisting of two multi-modality centers located in Islip, New York for purchase consideration of $4.5 million. We have made a fair value determination of the

acquired assets and assumed liabilities and approximately $2.2 million in property and equipment, $5.1 million in right-of-use

assets, $100,000 in intangible assets, $5.1 million in operating lease liabilities, retired $332,000 in equipment indebtedness, and recorded $2.6 million in goodwill.

On February 28, 2019, one of our NY Group entities, Lenox Hill Radiology and Medical Imaging Associates, P.C. ("LHR"), purchased the membership interest of Hudson Valley Radiology Associates, P.L.L.C. ("HVRA") for $6.0 million of RadNet common stock and contingent consideration valued at $680,000 to guarantee the share value issued for a period of six months post acquisition date. LHR has performed a fair value purchase price allocation and recorded equipment of $10,000, a covenant not to compete of $50,000, trade name of $380,000, other intangible assets of $340,000 and goodwill of $3.1 million from the transaction. In connection with the acquisition, RadNet also settled against the purchase consideration, $2.8 million, net of taxes, of an unfavorable vendor contract with HVRA stemming from the previous acquisition of Radiologix, Inc. in November 2006.

On February 1, 2019 our majority owned subsidiary, West Valley Imaging Group, LLC ("WVIG") completed its acquisition of certain assets of West Valley Imaging Center, LLC, consisting of a single multi-modality imaging center located in West Hills, CA for purchase consideration of $3.0 million all of which was initially funded by the Company. We have made a preliminary fair value determination of the acquired assets and approximately $300,000 in equipment and fixed assets, $7,000 in other assets, $200,000 in intangible assets and $2.5 million in goodwill were recorded. Subsequent to the transaction, our partner in WVIG, Cedars Sinai Medical Center, contributed $750,000 in cash to maintain its 25% economic interest in the venture.

Joint venture formations

On February 13, 2019 we formed a wholly owned subsidiary, Ventura County Imaging Group, LLC ("VCIG"). On March 1, 2019, Dignity Health joined as a venture partner. Total agreed contribution of both parties was $10.4 million of cash and assets with RadNet contributing net assets with a book value of $4.3 million for a 60% economic interest and Dignity Health contributing $6.1 million in cash and assets for a 40% economic interest. For its contribution, RadNet transferred net assets of three wholly owned multi-modality imaging centers. Dignity Health contributed approximately $800,000 in assets to acquire 5% economic interest and paid RadNet $5.3 million for an additional 35% economic interest. We maintain controlling economic interest in VCIG and fully consolidate the results into our financial statements.

Assets held for sale:

Effective January 1, 2018 we agreed to sell certain assets of four women’s imaging centers to MemorialCare Medical Foundation. The sale was initially anticipated within 12 months of the effective date, however we extended the date out to 24 months based on a change in business circumstances. The following table summarizes the major categories of assets which remain classified as held for sale in the accompanying condensed consolidated balance sheets at September 30, 2019:

Property and equipment, net	$	1,049
Goodwill		992
Total assets held for sale	$	2,041

NOTE 5 - LEASES

Adoption of Standard

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet for all leases with terms in excess of twelve months. Sufficient disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard was effective for us beginning January 1, 2019. We have elected the optional transition method to apply the standard as of the effective date and therefore, we will not apply the standard to the comparative periods presented in the consolidated financial statements. We also elected the transition package of three practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. In preparation for adoption of the standard, we have implemented internal control procedures and key system functionality to enable the preparation of financial information.

The adoption of the standard had a material impact on our condensed consolidated balance sheets, but did not have material impact on our condensed consolidated income statements or cash flows. Adoption of the standard resulted in the recognition

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of an operating lease liability of $455.5 million. Operating lease ROU assets were recorded in the amount of $419.0 million. Inclusive in the adoption was the transfer of $35.3 million in deferred rent liability and $792,000 in unfavorable rental contract liabilities to operating lease ROU assets. For finance leases, the effect of the adoption amounted to a finance lease liability of $12.1 million, which was transfered from capital lease debt and a finance right of use assets in the amount of $14.1 million which remained in property, plant and equipment.

Lease Liability

We have operating leases for medical facilities, administrative offices, warehouse space and major medical equipment. We lease the premises at which these facilities are located and do not have options to purchase the facilities we rent. Our most common initial term varies in length from 5 to 15 years. Including renewal options negotiated with the landlord, we can have a total span of 10 to 35 years at the facilities we lease. We also lease smaller satellite X-Ray locations on mutually renewable terms, usually lasting one year. Additionally, we have operating and finance leases for certain medical and office equipment, with lease terms generally lasting from 5 to 8 years. Our Incremental Borrowing Rate ("IBR") used to discount the stream of lease payments is closely related to the interest rates charged on our collateralized debt obligations and our IBR is adjusted when those rates experience a substantial change.

The components of lease expense were as follows:

(In thousands)	Three months ended September 30, 2019	Nine months ended September 30, 2019
Operating lease cost	$ 24,497	$ 71,568
Finance lease cost:		
Depreciation of leased equipment	$ 724	$ 2,351
Interest on lease liabilities	91	319
Total finance lease cost	$ 815	$ 2,670

Supplemental cash flow information related to leases was as follows:

(In thousands)	Three months ended September 30, 2019	Nine months ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 24,739	$ 71,926
Operating cash flows from financing leases	91	319
Financing cash flows from financing leases	1,363	4,299
Right-of-use & Equipment assets obtained in exchange for lease obligations:		
Operating leases[(1)]	15,984	462,613
Financing leases	32	14,088

[(1)] Amounts for the nine months ended September 30, 2019 include the transition adjustment for the adoption of Topic 842 discussed in Note 2, Significant Accounting Policies for further information.

Supplemental balance sheet information related to leases was as follows:

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(In thousands, except lease term and discount rates)

		September 30, 2019
Operating Leases		
Operating lease right-of-use assets	$	438,558
Current portion of operating lease liability	$	69,308
Operating lease liabilities		410,958
Total operating lease liabilities	$	480,266
Finance Leases		
Property and Equipment, at cost	$	14,088
Accumulated depreciation		(2,351)
Equipment, net	$	11,737
Current portion of finance lease	$	4,095
Finance lease liabilities		4,042
Total finance lease liabilities	$	8,137
Weighted Average Remaining Lease Term		
Operating leases - years		8.5
Finance leases - years		3.2
Weighted Average Discount Rate		
Operating leases		6.4%
Finance leases		4.2%

Maturities of lease liabilities were as follows:

(In thousands)

Year Ending December 31,		Operating Leases		Financing Leases
2019 (excluding the nine months ended September 30, 2019)	$	24,616	$	1,716
2020		95,158		3,481
2021		88,085		2,614
2022		78,279		691
2023		67,021		—
Thereafter		282,379		—
Total Lease Payments		635,538		8,502
Less imputed interest		(155,272)		(365)
Total	$	480,266	$	8,137

As of September 30, 2019 , we have additional operating leases for facilities that have not yet commenced of approximately $2.1 million. These operating leases will commence in 2019 with lease terms of 4 to 5 years.

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting, maturities of operating lease liabilities were as follows as of December 31, 2018 (in thousands):

	Facilities	Equipment	Total
2019	$ 75,588	$ 14,924	$ 90,512
2020	66,116	14,385	80,501
2021	57,826	12,966	70,792
2022	48,542	10,264	58,806
2023	38,800	7,095	45,895
Thereafter	160,327	5,144	165,471
	$ 447,199	$ 64,778	$ 511,977

NOTE 6 – CREDIT FACILITY, NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

As of September 30, 2019 and December 31, 2018 our debt obligations consist of the following (in thousands):

	September 30, 2019	December 31, 2018
First Lien Term Loans collateralized by RadNet's tangible and intangible assets	$ 659,522	$ 587,191
Discounts on First Lien Term Loans	(14,549)	(15,112)
Term Loan Agreement collateralized by NJIN's tangible and intangible assets	57,000	59,250
Revolving Credit Facilities	—	28,000
Promissory note payable to the former owner of a practice acquired at an interest rate of 1.5% due through 2019	—	199
Equipment notes payable at interest rates ranging from 3.3% to 5.6%, due through 2020, collateralized by medical equipment	351	632
Obligations under capital leases at interest rates ranging from 4.3% to 11.2%, due through 2022, collateralized by medical and office equipment (1)	—	12,119
Total debt obligations	702,324	672,279
Less: current portion	(39,719)	(39,267)
Long term portion debt obligations	$ 662,605	$ 633,012

(1)Obligations under capital leases were transferred to Finance Lease Liability at January 1, 2019 in accordance with the adoption of Accounting Standards Update No 2016-02, *Leases (Topic 842)*. See Note 5, Leases, for more information.

Senior Secured Credit Facilities

At September 30, 2019, our Barclays credit facilities were comprised of one tranche of term loans (“First Lien Term Loans”) and a revolving credit facility of $137.5 million (the “Barclays Revolving Credit Facility”), both of which are provided pursuant to the Amended and Restated First Lien Credit and Guaranty Agreement dated as of July 1, 2016 (as amended, the “First Lien Credit Agreement”).

At September 30, 2019, our SunTrust credit facilities, which relate to our consolidated subsidiary NJIN, were comprised of one term loan (the "SunTrust Term Loan") and a revolving credit facility of $30.0 million (the "SunTrust Revolving Credit Facility") both of which are provided pursuant to the SunTrust Restated Credit Agreement (as described below).

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As of September 30, 2019, we were in compliance with all covenants under our credit facilities. Deferred financing costs at September 30, 2019, net of accumulated amortization, was $1.7 million and is specifically related to our Barclays Revolving Credit Facility.

Included in our condensed consolidated balance sheets at September 30, 2019 are $659.5 million of First Lien Term Loans and $57.0 million of SunTrust Term Loan debt for a combined total of $716.5 million of total term loan debt (net of unamortized discounts of $14.5 million) in thousands:

	Face Value	Discount	Total Carrying Value
First Lien Term Loans	$ 659,522	$ (14,549)	$ 644,973
SunTrust Term Loan	57,000	—	57,000
Total Term Loans	$ 716,522	$ (14,549)	$ 701,973

We had no balance under our $137.5 million Barclays Revolving Credit Facility at September 30, 2019 and have reserved an additional $5.9 million for certain letters of credit. The remaining $131.7 million of our Barclays Revolving Credit Facility was available to draw upon as of September 30, 2019. We also had no balance under our $30.0 million SunTrust Revolving Credit Facility related to our consolidated subsidiary NJIN at September 30, 2019.

The following describes our financing activities related to our Barclays credit facilities:

2019 Amendments to the First Lien Credit Agreement:

On April 18, 2019 we entered into the following two new amendments to the First Lien Credit Agreement: (i) Amendment No. 6, Consent and Incremental Joinder Agreement to Credit and Guaranty Agreement dated as of April 18, 2019 (the "Sixth Amendment"); and (ii) Amendment No. 7 to Credit and Guaranty Agreement dated as of April 18, 2019 (the "Seventh Amendment").

The Sixth Amendment amended the First Lien Credit Agreement to issue $100.0 million in incremental First Lien Term Loans and to add an additional $20.0 million of revolving commitments to the Barclay's Revolving Credit Facility. Under the First Lien Credit Agreement, we now have approximately $679.0 million in First Lien Term Loans outstanding and capacity to borrow up to $137.5 million under our Barclays Revolving Credit Facility. The proceeds of the incremental First Lien Term Loans have been used to repay revolving loans outstanding under the Revolving Credit Facility and the fees, costs and expenses associated with the Sixth Amendment and the Seventh Amendment. Rates of the applicable margin for borrowing under the First Lien Credit Agreement remain the same as Amendment No. 5 from August 22, 2017 and described below. At September 30, 2019 the effective Adjusted Eurodollar Rate and the Base Rate for the First Lien Term Loans was 2.33% and 5.00%, respectively and the applicable margin for Adjusted Eurodollar Rate and Base Rate borrowings was 3.50% and 2.50%, respectively.

The Seventh Amendment amends the First Lien Credit Agreement to extend the maturity date of the Barclays Revolving Credit Facility by an additional two years to July 1, 2023, unless sooner terminated in accordance with the terms of the First Lien Credit Agreement.

The First Lien Credit Agreement, as amended by the Sixth Amendment, provides for quarterly payments of principal under the First Lien Term Loans in the amount of approximately $9.7 million, as compared to approximately $8.3 million under the First Lien Credit Agreement prior to the Sixth Amendment. Total issue costs for the Sixth Amendment aggregated to approximately $4.4 million. Of this amount, $2.1 million was identified and capitalized as discount on debt, $683,000 was capitalized as deferred financing costs, and $1.6 million was expensed. Amounts capitalized will be amortized over the remaining term of the agreement.

Amendment No. 5, Consent and Incremental Joinder Agreement to Credit and Guaranty Agreement

On August 22, 2017, we entered into Amendment No. 5, Consent and Incremental Joinder Agreement to Credit and Guaranty Agreement (the "Fifth Amendment") with respect to our First Lien Credit Agreement. Pursuant to the Fifth Amendment, we issued $170.0 million in incremental First Lien Term Loans, the proceeds of which were used to repay in full previously outstanding second lien term loans.

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Pursuant to the Fifth Amendment and unchanged by the Sixth Amendment, we also changed the interest rate margin applicable to borrowings under the First Lien Credit Agreement. While borrowings under the First Lien Credit Agreement continue to bear interest at either an Adjusted Eurodollar Rate or a Base Rate (in each case, as more fully defined in the First Lien Credit Agreement) or a combination of both, at the election of the Company, plus an applicable margin. Applicable margin for Adjusted Eurodollar Rate borrowings and Base Rate borrowings was changed to adjust depending on our leverage ratio, according to the following schedule:

First Lien Leverage Ratio	Eurodollar Rate Spread	Base Rate Spread
> 5.50x	4.50%	3.50%
> 4.00x but ≤ 5.50x	3.75%	2.75%
>3.50x but ≤ 4.00x	3.50%	2.50%
≤ 3.50x	3.25%	2.25%

Pursuant to the Fifth Amendment, the First Lien Credit Agreement was amended so that we can elect to request 1) an increase to the existing Barclays Revolving Credit Facility and/or 2) additional First Lien Term Loans, provided that the aggregate amount of such increases and additions does not exceed (a) $100.0 million and (b) as long as the First Lien Leverage Ratio (as defined in the First Lien Credit Agreement) would not exceed 4.00:1.00 after giving effect to such incremental facilities, an uncapped amount of incremental facilities, in each case subject to the conditions and limitations set forth in the First Lien Credit Agreement. Each lender approached to provide all or a portion of any incremental facility may elect or decline, in its sole discretion, to provide an incremental commitment or loan.

Pursuant to the Fifth Amendment, the First Lien Credit Agreement was also amended to (i) provide for quarterly payments of principal of the First Lien Term Loans in the amount of approximately $8.3 million, as compared to approximately $6.1 million prior to the Fifth Amendment, (ii) extend the call protection provided to the holders of the First Lien Term Loans for a period of twelve months following the date of the Fifth Amendment and (iii) provide us with additional operating flexibility, including the ability to incur certain additional debt and to make certain additional restricted payments, investments and dispositions, in each case as more fully set forth in the Fifth Amendment. Total issue costs for the Fifth Amendment aggregated to approximately $4.7 million. Of this amount, $4.1 million was identified and capitalized as discount on debt, $350,000 was capitalized as deferred financing costs and the remaining $235,000 was expensed. Amounts capitalized will be amortized over the remaining term of the agreement.

The First Lien Credit Agreement pursuant to the fifth amendment provided for a $117.5 million Barclays revolving credit facility and increased to $137.5 million in the Sixth Amendment. Revolving loans borrowed under the Barclays Revolving Credit Facility bore an interest at either an Adjusted Eurodollar Rate or a Base Rate (in each case, as more fully defined in the First Lien Credit Agreement), plus an applicable margin. Pursuant to the Fifth Amendment and unchanged in the Sixth Amendment, the applicable margin was amended to vary based on our leverage ratio in accordance with the following schedule:

First Lien Leverage Ratio	Eurodollar Rate Spread	Base Rate Spread
> 5.50x	4.50%	3.50%
> 4.00x but ≤ 5.50x	3.75%	2.75%
>3.50x but ≤ 4.00x	3.50%	2.50%
≤ 3.50x	3.25%	2.25%

For letters of credit issued under the Barclays Revolving Credit Facility, letter of credit fees accrue at the applicable margin (see table above) for Adjusted Eurodollar Rate revolving loans and fronting fees accrue at 0.25% per annum, in each case on the average aggregate daily maximum amount available to be drawn under all letters of credit issued under the First Lien Credit Agreement. In addition a commitment fee of 0.5% per annum accrues on the unused revolver commitments under the Barclays Revolving Credit Facility.

As of September 30, 2019, the interest rate payable on revolving loans was 7.50%. With no amounts outstanding and a reserve for letters of credit of $5.9 million as of September 30, 2019, the amount available to borrow under the Barclays Revolving Credit Facility at September 30, 2019 was $131.7 million.

The Barclays Revolving Credit Facility was originally scheduled to terminate on the earliest to occur of (i) July 1, 2021, (ii) the date we voluntarily agree to permanently reduce the Barclays Revolving Credit Facility to zero pursuant to section 2.13(b) of the First Lien Credit Agreement, and (iii) the date the Barclays Revolving Credit Facility is terminated due to specific events of default pursuant to section 8.01 of the First Lien Credit Agreement. The termination date was updated with the Sixth Amendment.

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The following describes our financing activities with respect to our SunTrust credit facilities:

Amended and Restated Revolving Credit and Term Loan Agreement

On August 31, 2018, our subsidiary, New Jersey Imaging Networks ("NJIN"), entered into the Amended and Restated Revolving Credit and Term Loan Agreement (as amended, the "SunTrust Restated Credit Agreement") as borrower with SunTrust Bank and other financial institutions as lenders to restate the SunTrust Original Credit Agreement (as described below) and to provide NJIN additional aggregate credit facilities of $48.1 million as categorized below:

SunTrust Revolving Credit Facility: The SunTrust Restated Credit Agreement establishes a $30.0 million revolving credit facility available to NJIN for funding requirements. This represents an increase of $20.0 million over the revolving facility of $10.0 million made available to NJIN under the SunTrust Original Credit Agreement. The SunTrust Revolving Credit Facility terminates on the earliest of (i) August 31, 2023, (ii) the voluntary termination thereof by NJIN pursuant to Section 2.8 of the SunTrust Restated Credit Agreement, or (iii) the date on which all amounts outstanding under the SunTrust Restated Credit Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise). NJIN has not borrowed against the revolving credit line.

SunTrust Term Loan: Pursuant to the SunTrust Restated Credit Agreement, the lenders thereunder made a term loan to NJIN in the amount of $60.0 million. This represents an increase of $28.1 million over the outstanding amount of the term loan under the SunTrust Original Credit Agreement and extends the term of the loan from September 30, 2020 to August 31, 2023. The SunTrust Term Loan is repayable in scheduled quarterly amounts (as described below) and has a maturity date of the earlier of (a) August 31, 2023 and (b) the date on which the principal amount of the SunTrust Term Loan has been declared or automatically has become due and payable (whether by acceleration or otherwise).

Interest: For the period from August 31, 2018, through the date NJIN delivered its financial statements and compliance certificate for the fiscal quarter ending September 30, 2018, the interest rates and fees applicable to the SunTrust Revolving Credit Facility and the SunTrust Term Loan were (i) for Eurodollar Loans (as defined in the SunTrust Restated Credit Agreement), the Adjusted LIBOR (as defined in the SunTrust Restated Credit Agreement) plus 2.75% per annum, (ii) for Base Rate Loans (as defined in the SunTrust Restated Credit Agreement), the Base Rate (as defined in the SunTrust Restated Credit Agreement) plus 1.75% per annum, (iii) for letters of credit, 2.75% per annum, and (iv) for the unused commitment fee on the SunTrust Revolving Credit Facility, 0.45% per annum. Thereafter, the rates of the applicable margin for borrowing under the SunTrust Restated Credit Agreement will adjust depending on our leverage ratio, according to the following table:

Pricing Level	**Leverage Ratio**	**Applicable Margin for Eurodollar Loans**	**Applicable Margin for Base Rate Loans**	**Applicable Margin for Letter of Credit Fees**	**Applicable Percentage for Commitment Fee**
I	Greater than or equal to 3.00:1.00	2.75% *per annum*	1.75% *per annum*	2.75% *per annum*	0.45% *per annum*
II	Less than 3.00:1.00 but greater than or equal to 2.50:1.00	2.25% *per annum*	1.25% *per annum*	2.25% *per annum*	0.40% *per annum*
III	Less than 2.50:1.00 but greater than or equal to 2.00:1.00	2.00% *per annum*	1.00% *per annum*	2.00% *per annum*	0.35% *per annum*
IV	Less than 2.00:1.00 but greater than or equal to 1.50:1.00	1.75% *per annum*	0.75% *per annum*	1.75% *per annum*	0.30% *per annum*
V	Less than 1.50:1.00	1.50% *per annum*	0.50% *per annum*	1.50% *per annum*	0.30% *per annum*

The loans and other obligations outstanding under the SunTrust Restated Credit Agreement currently bear interest and fees based on Pricing Level I described above.The loans outstanding under the SunTrust Restated Credit Agreement currently bear interest based on a one month Eurodollar election.

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Payments: The scheduled amortization of the SunTrust Term Loan began December 31, 2018 with quarterly payments of $750,000, representing annual amortization equal to 5% of the original principal amount of the SunTrust Term Loan. At scheduled intervals, the quarterly amortization increases by $375,000, with the remaining balance to be paid at maturity.

Revolving Credit and Term Loan Agreement

On September 30, 2015, NJIN entered into the Revolving Credit and Term Loan Agreement (the "SunTrust Original Credit Agreement") as borrower with SunTrust Bank and other financial institutions as lenders, pursuant to which the lenders made available to NJIN credit facilities in an aggregate amount of $50.0 million as categorized below:

Original Revolving Credit Facility: The SunTrust Original Credit Agreement established a $10.0 million revolving credit facility available to NJIN for needed funding requirements. The Original Revolving Credit Facility terminated on the earliest of (i) September 30, 2020, (ii) the voluntary termination thereof by NJIN pursuant to Section 2.8 of the SunTrust Original Credit Agreement, or (iii) the date on which all amounts outstanding under the SunTrust Original Credit Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

Original Term Loan: Pursuant to the SunTrust Original Credit Agreement, the lenders thereunder made a term loan to NJIN in the amount of $40.0 million. The Original Term Loan was repayable in scheduled quarterly amounts (as described below) and had a maturity date of the earlier of (a) September 30, 2020 and (b) the date on which the principal amount of the Original Term Loan has been declared or automatically has become due and payable (whether by acceleration or otherwise).

Interest: For the period from September 30, 2015, through the date NJIN delivered its financial statements and compliance certificate for the fiscal quarter ending December 31, 2015, the interest rates and fees applicable to the SunTrust Original Credit Agreement were (i) for Eurodollar Loans (as defined in the SunTrust Original Credit Agreement), the Adjusted LIBOR (as defined in the SunTrust Original Credit Agreement) plus 3.00% per annum, (ii) for Base Rate Loans (as defined in the SunTrust Original Credit Agreement), the Base Rate (as defined in the SunTrust Original Credit Agreement) plus 2.00% per annum, (iii) for letters of credit, 3.00% per annum, and (iv) for the unused commitment fee on the Original Revolving Credit Facility, 0.45% per annum. Thereafter, the rates of the applicable margin for borrowing under the SunTrust Original Credit Agreement adjusted depending on our leverage ratio, according to the following table:

Pricing Level	**Leverage Ratio**	**Applicable Margin for Eurodollar Loans**	**Applicable Margin for Base Rate Loans**	**Applicable Margin for Letter of Credit Fees**	**Applicable Percentage for Commitment Fee**
I	Greater than or equal to 3.00:1.00	3.00% *per annum*	2.00% *per annum*	3.00% *per annum*	0.45% *per annum*
II	Less than 3.00:1.00 but greater than or equal to 2.50:1.00	2.50% *per annum*	1.50% *per annum*	2.50% *per annum*	0.40% *per annum*
III	Less than 2.50:1.00 but greater than or equal to 2.00:1.00	2.25% *per annum*	1.25% *per annum*	2.25% *per annum*	0.35% *per annum*
IV	Less than 2.00:1.00 but greater than or equal to 1.50:1.00	2.00% *per annum*	1.00% *per annum*	2.00% *per annum*	0.30% *per annum*
V	Less than 1.50:1.00	1.75% *per annum*	0.75% *per annum*	1.75% *per annum*	0.30% *per annum*

Payments: The scheduled amortization of the term loans under the SunTrust Original Credit Agreement began December 31, 2015 with quarterly payments of $500,000, representing annual amortization equal to 5% of the original principal amount of the term loans under the SunTrust Original Credit Agreement. Each December 31, the scheduled quarterly amortization increased by a certain amount, with the remaining balance to be paid at maturity.

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NOTE 7 – STOCK-BASED COMPENSATION

Stock Incentive Plans

We have one long-term equity incentive plan which we refer to as the 2006 Equity Incentive Plan, which we first amended and restated as of April 20, 2015 and again on March 9, 2017 (the "Restated Plan"). The Restated Plan was approved by our stockholders at our annual stockholders meeting on June 8, 2017. We have reserved for issuance under the Restated Plan 14,000,000 shares of common stock. We can issue options, stock awards, stock appreciation rights, stock units and cash awards under the Restated Plan.

Options

Certain options granted under the Restated Plan to employees are intended to qualify as incentive stock options under existing tax regulations. Stock options generally vest over 3 to 5 years and expire 5 to 10 years from the date of grant.

As of September 30, 2019, we had outstanding options to acquire 481,451 shares of our common stock, of which options to acquire 137,623 shares were exercisable. The following summarizes all of our option transactions for the nine months ended September 30, 2019:

Outstanding Options Under the 2006 Plan	Shares	Weighted Average Exercise price Per Common Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance,December 31, 2018	513,282	$ 7.44		
Granted	89,200	10.93		
Exercised	(10,000)	4.97		
Canceled, forfeited or expired	(111,031)	0.79		
Balance, September 30, 2019	481,451	8.22	7.56	$ 2,956,444
Exercisable at September 30, 2019	137,623	6.97	6.65	1,017,406

Aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between our closing stock price on September 30, 2019 and the exercise price, multiplied by the number of in-the-money options as applicable) that would have been received by the holder had all holders exercised their options on September 30, 2019. Options exercised amounted to 10,000 shares during the nine months ended September 30, 2019. As of September 30, 2019, total unrecognized stock-based compensation expense related to non-vested employee awards was $846,700 which is expected to be recognized over a weighted average period of approximately 1.96 years.

Restricted Stock Awards

The Restated Plan permits the award of restricted stock awards ("RSA's"). As of September 30, 2019, we have issued a total of 6,089,276 RSA's of which 387,184 were unvested at September 30, 2019. The following summarizes all unvested RSA's activities during the nine months ended September 30, 2019:

	RSA's	Weighted-Average Remaining Contractual Term (Years)	Weighted-Average Fair Value
RSA's unvested at December 31, 2018	277,504		$ 9.77
Changes during the period			
Granted	631,656		$ 11.76
Vested	(520,476)		$ 9.64
Forfeited or Cancelled	(1,500)		$ 12.76
RSA's unvested at September 30, 2019	387,184	1.38	$ 11.59

We determine the fair value of all RSA's based on the closing price of our common stock on award date.

Other stock bonus awards

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The Restated Plan also permits the award of stock bonuses not subject to any future service period. These awards are valued and expensed based on the closing price of our common stock on the date of award. During the nine months ended September 30, 2019 awards totaling 26,600 shares were granted.

Plan summary

In summary, of the 14,000,000 shares of common stock reserved for issuance under the Restated Plan, at September 30, 2019, we had issued 14,806,694 total shares between options, RSA's and other stock awards. With options canceled and RSA's forfeited amounting to 3,281,040 and 61,703 shares, respectively, there remain 2,536,049 shares available under the Restated Plan for future issuance.

NOTE 8 – SUBSEQUENT EVENTS

Equity Investments at Fair Value:

WhiteRabbit.ai Inc., based in California, is currently developing an artificial intelligence suite which aims to improve the speed and accuracy of cancer detection in radiology and improve patient care. On November 5, 2019 we acquired an equity interest in the company for $1.0 million and also loaned the company $2.5 million to in support of its operations.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and notes thereto for the year ended December 31, 2018 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the U.S. Securities and Exchange Commission (SEC) on March 18, 2019.

Forward-Looking Statements

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements reflect current views about future events and are based on our currently available financial, economic and competitive data and on current business plans. Actual events or results may differ materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," "assumption" or the negative of these terms or other comparable terminology. Statements in this quarterly report concerning our ability to successfully acquire and integrate new operations, to grow our contract management business, our financial guidance, our future cost saving efforts, our ability to increase business from new equipment or operations and our ability to finance our operations and repay our outstanding indebtedness, are forward-looking statements.

Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, the factors included in "Risk Factors," in our annual report on Form 10-K for the fiscal year ended December 31, 2018 or supplemented by the information in Part II– Item 1A below. You should consider the inherent limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements.

These forward-looking statements speak only as of the date when they are made. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview

We are a leading national provider of freestanding, fixed-site outpatient diagnostic imaging services in the United States based on number of locations and annual imaging revenue. At September 30, 2019, we operated directly or indirectly through joint ventures with hospitals, 340 centers located in California, Delaware, Florida, Maryland, New Jersey, and New York. Our centers

provide physicians with imaging capabilities to facilitate the diagnosis and treatment of diseases and disorders and may reduce unnecessary invasive procedures, often reducing the cost and amount of care for patients.

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Our services include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine, mammography, ultrasound, diagnostic radiology (X-ray), fluoroscopy and other related procedures. The vast majority of our centers offer multi-modality imaging services. Our multi-modality strategy diversifies revenue streams, reduces exposure to reimbursement changes and provides patients and referring physicians one location to serve the needs of multiple procedures. Our operations compose a single segment for financial reporting purposes.

We seek to develop leading positions in regional markets in order to leverage operational efficiencies. Our scale and density within selected geographies provides close, long-term relationships with key payors, radiology groups and referring physicians. Each of our facility managers is responsible for managing relationships with local physicians and payors, meeting our standards of patient service and maintaining profitability. We provide corporate training programs, standardized policies and procedures and sharing of best practices among the physicians in our regional networks.

We derive substantially all of our revenue, directly or indirectly, from fees charged for the diagnostic imaging services performed at our facilities. The following table shows our facilities in operation and revenues for the nine months ended September 30, 2019 and September 30, 2018:

	Nine Months Ended September 30,	
	2019	**2018**
Facilities in operation	340	305
Net revenues (millions)	$ 853.3	$ 717.9

Our revenue is derived from a diverse mix of payors, including private payors, managed care capitated payors and government payors. We believe our payor diversity mitigates our exposure to possible unfavorable reimbursement trends within any one payor class. In addition, our experience with capitation arrangements over the last several years has provided us with the expertise to manage utilization and pricing effectively, resulting in a predictable stream of revenue. The Company’s total net revenues during the three and nine months ended September 30, 2019 and 2018 are presented in the table below based on an allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Commercial insurance	$ 163,152	$ 135,445	$ 475,064	$ 397,193
Medicare	61,599	48,243	175,825	141,348
Medicaid	7,128	6,323	21,564	19,129
Workers' compensation/personal injury	10,865	8,810	32,950	25,714
Other patient revenue	6,085	6,205	17,947	18,318
Management fee revenue	1,792	3,615	5,662	11,237
Teleradiology and Software revenue	4,412	4,063	12,861	11,879
Other	6,875	4,848	20,878	16,318
Net service fee revenue	261,908	217,552	762,751	641,136
Revenue under capitation arrangements	30,784	24,596	90,587	76,799
Total net revenue	$ 292,692	$ 242,148	$ 853,338	$ 717,935

We typically experience some seasonality to our business. During the first quarter of each year we generally experience the lowest volumes of procedures and the lowest level of revenue for any quarter during the year. This is primarily the result of two factors. First, our volumes and revenue are typically impacted by winter weather conditions in our northeastern operations. It is common for snowstorms and other inclement weather to result in patient appointment cancellations and, in some cases, imaging center closures. Second, in recent years, we have observed greater participation in high deductible health plans by patients. As these high deductibles reset in January for most of these patients, we have observed that patients utilize medical services less during the first quarter, when securing medical care will result in significant out-of-pocket expenditures.

During the first quarter of 2018, unusually severe winter weather conditions in our northeastern and mid-Atlantic

operations, which represent slightly over 50% of our total revenue, impacted significantly our operating results, and consequently

our results for the nine months ended September 30, 2018. Based on our experience we do not believe that lost imaging slots in one quarter are made up later in the quarter or in subsequent quarters.

Investment, Acquisition, and Joint Venture Activity

We have developed our medical imaging business through a combination of organic growth, equity investments, acquisitions and joint venture formations. The information below updates our activity of such matters contained in our annual report on Form 10-K for the year ended December 31, 2018.

Equity Investments

Medic Vision:

On March 24, 2017, we acquired an initial 12.5% equity interest in Medic Vision Imaging Solutions Ltd for $1.0 million. We also received an option to exercise warrants to acquire up to an additional 12.5% equity interest for $1.4 million within one year from the initial share purchase date, if exercised in full. On March 1, 2018 we exercised our warrant in part and acquired an additional 1.96% for $200,000. Our initial equity interest has been diluted to 12.25% and our total equity investment stands at 14.21%. No impairment in our investment was identified as of the nine months ended September 30, 2019.

Turner Imaging:

Turner Imaging Systems, based in Utah, develops and markets portable X-ray imaging systems that provide a user the ability to acquire X-ray images wherever and whenever they are needed. On February 1, 2018, we purchased 2.1 million preferred shares in Turner Imaging Systems for $2.0 million. On January 1, 2019 we funded a convertible promissory note in the amount of $143,000 that will convert to additional preferred shares no later than December 21, 2019. No impairment in our investment was identified as of the nine months ended September 30, 2019.

Facility acquisitions

On August 1, 2019 we completed a step-up acquisition upon the dissolution of our former 49% owned joint venture, Garden State Radiology LLC ("GSRN"). GSRN consisted of two multi-modality centers operating in New Jersey. GSRN became our wholly owned subsidiary with the withdrawal of the 51% majority partner for the full ownership of one center with no other consideration. We made a preliminary fair value determination of our original 49% interest which resulted in a step-up gain of $114,000. We determined a preliminary fair value of the remaining acquired imaging center of $1.9 million in assets and recorded $1,000 in other assets, $599,000 in fixed assets, $426,000 in right-of-use assets, $426,000 in operating lease liabilities, and $888,000 in goodwill.

On August 1, 2019 we completed a step-up acquisition of our former 25% owned joint venture, Nulogix, via a stock issuance of RadNet common shares valued at $1.5 million to obtain the remaining 75% outstanding Nulogix shares. We made a preliminary fair value determination of the acquired assets and approximately $189,000 in fixed assets, $732,000 in intangible assets, $278,000 in deferred tax liability and goodwill of $1.4 million were recorded. We also made a fair value determination of our 25% pre existing interest in the business and recognized a loss of $504,000 which is included in operating expenses within the condensed consolidated statements of operations.

On April 1, 2019 we completed our acquisition of certain assets of Kern Radiology Imaging Systems Inc., consisting of four multi-modality imaging centers located in Bakersfield, California for purchase consideration of $19.3 million. We have made a preliminary fair value determination of the acquired assets and assumed liabilities and approximately $10.1 million in property and equipment, $9.7 million in right-of-use assets, $36,000 in other assets, $3,373,000 in intangible assets, $14.5 million in operating lease liabilities, and $10.5 million in goodwill were recorded.

On April 1, 2019 we completed our acquisition of certain assets of Zilkha Radiology Inc. consisting of two multi-modality centers located in Islip, New York for purchase consideration of $4.5 million. We have made a fair value determination of the acquired assets and assumed liabilities and approximately $2.2 million in property and equipment, $5.1 million in right-of-use assets, $100,000 in intangible assets, $5.1 million in operating lease liabilities and $2.6 million in goodwill were recorded.

On February 28, 2019, one of our NY Group entities, Lenox Hill Radiology and Medical Imaging Associates, P.C. ("LHR"), purchased the membership interest of Hudson Valley Radiology Associates, P.L.L.C. ("HVRA") for $6.0 million of RadNet common stock and contingent consideration valued at $680,000 to guarantee the share value issued for a period of six

months post acquisition date. LHR has performed a fair value purchase price allocation and recorded equipment of $10,000, a covenant not to compete of $50,000, trade name of $380,000, other intangible assets of $340,000 and goodwill of $3.1 million

from the transaction. In connection with the acquisition, RadNet also settled against the purchase consideration, $2.8 million, net of taxes, of an unfavorable vendor contract with HVRA stemming from the previous acquisition of Radiologix, Inc. in November 2006.

On February 1, 2019 our majority owned subsidiary, West Valley Imaging Group, LLC ("WVIG") completed its acquisition of certain assets of West Valley Imaging Center, LLC, consisting of a single multi-modality imaging center located in West Hills, CA for purchase consideration of $3.0 million which was initially funded by the Company. We have made a fair value determination of the acquired assets and approximately $300,000 in equipment and fixed assets, $7,000 in other assets, $200,000 in intangible assets and $2.5 million in goodwill were recorded. Subsequent to the transaction, our partner in WVIG, Cedars Sinai Medical Center, contributed $750,000 in cash to maintain its 25% economic interest in the venture.

Joint venture formations

On February 13, 2019 we formed a wholly owned subsidiary, Ventura County Imaging Group, LLC ("VCIG"). On March 1, 2019, Dignity Health joined as a venture partner. Total agreed contribution of both parties was $10.4 million of cash and assets with RadNet contributing $4.3 million in assets for a 60% economic interest and Dignity Health contributing $6.1 million in cash and assets for a 40% economic interest. For its contribution, RadNet transferred net assets of three wholly owned multi-modality imaging centers. Dignity Health contributed approximately $800,000 in assets to acquire 5% economic interest and paid RadNet $5.3 million for an additional 35% economic interest. We maintain controlling economic interest in VCIG and fully consolidates the results into our financial statements.

Sale of joint venture interest

On April 1, 2017, we formed in conjuncture with Cedars Sinai Medical Center (“CSMC”) the Santa Monica Imaging Group, LLC (“SMIG”), consisting of two multi-modality imaging centers located in Santa Monica, CA with RadNet holding a 40% economic interest and CSMC holding a 60% economic interest. RadNet accounts for our share of the venture under the equity method. On January 1, 2019, CSMC purchased from us an additional five percent economic interest in SMIG valued at $134,000. As a result of the transaction, our economic interest in SMIG has been reduced to 35%. We recorded a loss of $2,000 on the transaction.

Change in control of existing joint ventures:

On October 6, 2014, we acquired a 49% equity interest in Garden State Radiology, LLC for cash consideration of $2.2 million. The venture consisted of two imaging centers located in New Jersey. On August 1, 2019, the entity was dissolved by transferring ownership of the assets of the centers to the partners for no consideration, with each partner receiving full ownership of one center.

On April 12, 2018 we acquired 25% share capital in Nulogix, Inc. for cash consideration of $2.0 million. On August 1, 2019 we completed via the issuance of RadNet common stock valued at $1.5 million, the acquisition of the remaining 75% economic interest and we now consolidate the financial statements of Nulogix.

Joint venture investment and financial information

The following table is a summary of our investment in joint ventures during the nine months ended September 30, 2019 (in thousands):

Balance as of December 31, 2018	$ 37,973
Equity in earnings in these joint ventures	6,072
Distribution of earnings	(3,924)
Sale of ownership interest	(134)
Dissolution of GSRN	(1,427)
Nulogix change in control	(1,795)
Equity contributions in existing joint ventures	103
Balance as of September 30, 2019	$ 36,868

We charged management service fees from the centers underlying these joint ventures of approximately $2.5 million and $3.5 million for the quarters ended September 30, 2019 and 2018, respectively and $7.8 million and $10.6 million nine months

ended September 30, 2019 and 2018, respectively. We eliminate any unrealized portion of our management service fees with our equity in earnings of joint ventures.

The following table is a summary of key balance sheet data for these joint ventures as of September 30, 2019 and December 31, 2018 and income statement data for the nine months ended September 30, 2019 and 2018 (in thousands):

Balance Sheet Data:	September 30, 2019	December 31, 2018
Current assets	$ 32,401	$ 28,317
Noncurrent assets	62,564	45,912
Current liabilities	(9,383)	(4,300)
Noncurrent liabilities	(20,113)	(4,898)
Total net assets	$ 65,469	$ 65,031
Book value of RadNet joint venture interests	$ 30,421	$ 30,030
Cost in excess of book value of acquired joint venture interests	6,447	7,943
Total value of Radnet joint venture interests	$ 36,868	$ 37,973
Total book value of other joint venture partner interests	$ 35,048	$ 35,001

Income statement data for the nine months ended September 30,	2019	2018
Net revenue	$ 80,115	$ 136,413
Net income	$ 13,718	$ 20,271

Critical Accounting Policies

The Securities and Exchange Commission defines critical accounting estimates as those that are both most important to the portrayal of a company's financial condition and results of operations and require management's most difficult, subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. In Note 2 to our consolidated financial statements in this quarterly report and in our annual report on Form 10-K for the year ended December 31, 2018, we discuss our significant accounting policies, including those that do not require management to make difficult, subjective or complex judgments or estimates. The most significant areas involving management's judgments and estimates are described below.

Revenues

Our revenues generally relate to net patient fees received from various payers and patients themselves under contracts in which our performance obligations are to provide diagnostic services to the patients. Revenues are recorded during the period our obligations to provide diagnostic services are satisfied. Our performance obligations for diagnostic services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services we provide to the related patients typically specify payments at amounts less than our standard charges and generally provide for payments based upon predetermined rates per diagnostic services or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

As it relates to BRMG and NY Group centers, this service fee revenue includes payments for both the professional medical interpretation revenue recognized by BRMG and the NY Groups as well as the payment for all other aspects related to our providing the imaging services, for which we earn management fees from BRMG and the NY Groups. As it relates to non-BRMG centers, this service fee revenue is earned through providing the use of our diagnostic imaging equipment and the provision of technical services as well as providing administration services such as clerical and administrative personnel, bookkeeping and accounting

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services, billing and collection, provision of medical and office supplies, secretarial, reception and transcription services, maintenance of medical records, and advertising, marketing and promotional activities.

Our revenues are based upon the estimated amounts we expect to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect.

Under capitation arrangements with various health plans, we earn a per-enrollee amount each month for making available diagnostic imaging services to all plan enrollees under the capitation arrangement. Revenue under capitation arrangements is recognized in the period in which we are obligated to provide services to plan enrollees under contracts with various health plans.

Deferred Financing Costs

Costs of financing are deferred and amortized using the effective interest rate method. Deferred financing costs, net of accumulated amortization, were $1.7 million and $1.4 million, as of September 30, 2019 and December 31, 2018, respectively and related to our line of credit. See Note 6, Revolving Credit Facility, Notes Payable and Capital Lease Obligations for more information.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is performed using the straight-line method over the estimated useful lives of the assets acquired, which range from 3 to 15 years. Leasehold improvements are amortized at the lesser of lease term or their estimated useful lives, which range from 3 to 15 years. Maintenance and repairs are charged to expense as incurred.

Business Combination

When the qualifications for business combination accounting treatment are met, it requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Accounts Receivable

Substantially all of our accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, or directly from patients. Services are generally provided pursuant to one-year contracts with healthcare providers. Receivables generally are collected within industry norms for third-party payors. We continuously monitor collections from our payors and maintain an allowance for bad debts based upon specific payor collection issues that we have identified and our historical experience.

Depreciation and Amortization of Long-Lived Assets

We depreciate our long-lived assets over their estimated economic useful lives with the exception of leasehold improvements where we use the shorter of the assets useful lives or the lease term of the facility for which these assets are associated. We estimate the economic useful lives of assets, other than leasehold improvements, to be between 3 and 15 years depending on the type of asset.

Income Taxes

Income tax expense is computed using an asset and liability method and using expected annual effective tax rates. Under this method, deferred income tax assets and liabilities result from temporary differences in the financial reporting bases and the income tax reporting bases of assets and liabilities. The measurement of deferred tax assets is reduced, if necessary, by the amount

of any tax benefit that, based on available evidence, is not expected to be realized. When it appears more likely than not that

deferred taxes will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its estimated realizable value. For net deferred tax assets we consider estimates of future taxable income, including tax planning strategies, in determining whether our net deferred tax assets are more likely than not to be realized.

Goodwill and Indefinite Lived Intangibles

Goodwill at September 30, 2019 totaled $439.9 million. Indefinite Lived Intangible Assets at September 30, 2019 were $11.9 million and are associated with the value of certain trade name intangibles. Goodwill and trade name intangibles are recorded as a result of business combinations. When we determine the carrying value of reporting unit exceeds its fair value an impairment charge would be recognized and should not exceed the total amount of goodwill allocated to that reporting unit. We tested goodwill for impairment on October 1, 2018. During the review we noted our Teleradiology unit, Imaging On Call, (IOC), experienced a reduction of professional medical group clients and a contract with a major local health provider during 2018. This affected its estimated fair value and resulted in impairment charges to our the reporting unit of $3.9 million for the twelve months ended December 31, 2018, with goodwill representing $3.8 million of the total and the remainder being its trade name of approximately $100,000. We have not identified any indicators of impairment through September 30, 2019.

Long-Lived Assets

We evaluate our long-lived assets (property and equipment) and intangibles, other than goodwill, for impairment whenever indicators of impairment exist. To evaluate the long-lived assets our management estimates the undiscounted future cash flows expected to be derived from the asset. The accounting standards require that if the sum of the undiscounted expected future cash flows from a long-lived asset or definite-lived intangible is less than the carrying value of that asset, an asset impairment charge must be recognized. The amount of the impairment charge is calculated as the excess of the asset's carrying value over its fair value, which generally represents the discounted future cash flows from that asset or in the case of assets we expect to sell, at fair value less costs to sell. No indicators of impairment were identified with respect to our long-lived assets as of September 30, 2019.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and long term operating lease liability in our consolidated balance sheets. Finance leases are included in property and equipment, current finance lease liability, and long-term finance lease liability in our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. We include options to extend a lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For a contract in which we are a lessee that contains fixed payments for both lease and non-lease components, we have elected to account for the components as a single lease component, as permitted. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-of-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Equity Based Compensation

We have one long-term incentive plan that we adopted in 2006 and which we first amended and restated as of April 20, 2015, and again on March 9, 2017 (the "Restated Plan"). The Restated Plan was approved by our stockholders at our annual stockholders meeting on June 8, 2017. We have reserved for issuance under the Restated Plan 14,000,000 shares of common stock. We can issue options, stock awards, stock appreciation rights, stock units and cash awards under the Restated Plan. Certain options granted under the Restated Plan to employees are intended to qualify as incentive stock options under existing tax regulations. Stock options and warrants generally vest over three to five years and expire five to ten years from date of grant. The compensation expense recognized for all equity-based awards is recognized over the awards' service periods. Equity-based compensation is classified in operating expenses within the same line item as the majority of the cash compensation paid to employees.

Commitments and Contingencies

We are party to various legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business. With respect to these matters, we evaluate the developments on a regular basis and accrue a liability when we believe a loss is probable and the amount can be reasonably estimated. We believe that the amount or any estimable range of reasonably possible or probable loss will not, either individually or in the aggregate, have a material adverse

effect on our business and consolidated financial statements. However, the outcome of these matters is inherently uncertain.

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Therefore, if one or more of these matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable, could be materially adversely affected.

Recent Accounting Standards

See Note 3, Recent Accounting and Reporting Standards, for further information.

thResults of Operations

The following table sets forth, for the three and nine months ended September 30, 2019 and 2018, the percentage that certain items in the statements of operations bears to total revenue, inclusive of revenue under capitation contracts.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
REVENUE				
Service fee revenue	89.5 %	89.8 %	89.4 %	89.3 %
Revenue under capitation arrangements	10.5 %	10.2 %	10.6 %	10.7 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
OPERATING EXPENSES				
Cost of operations, excluding depreciation and amortization	86.9 %	86.1 %	87.2 %	88.3 %
Depreciation and amortization	7.0 %	7.2 %	7.1 %	7.4 %
Loss (gain) on sale and disposal of equipment and other	0.3 %	(0.2)%	0.2 %	(0.3)%
Severance costs	— %	— %	0.1 %	0.2 %
Total operating expenses	94.2 %	93.2 %	94.6 %	95.6 %
INCOME FROM OPERATIONS	5.8 %	6.8 %	5.4 %	4.4 %
OTHER INCOME AND EXPENSES				
Interest expense	4.1 %	4.4 %	4.3 %	4.4 %
Equity in earnings of joint ventures	(0.7)%	(1.2)%	(0.7)%	(1.3)%
Other expenses	— %	— %	0.1 %	— %
Total other expenses	3.4 %	3.2 %	3.7 %	3.0 %
INCOME BEFORE INCOME TAXES	2.4 %	3.6 %	1.7 %	1.3 %
Provision for income taxes	(0.6)%	(1.2)%	(0.4)%	(0.4)%
NET INCOME	1.7 %	2.4 %	1.3 %	0.9 %
Net income attributable to noncontrolling interests	0.6 %	0.3 %	0.7 %	0.5 %

NET INCOME ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	1.1 %	2.1 %	0.6 %	0.4 %

We grow through a combination of organic growth as well as acquisitions and joint ventures. We have segregated some of our information to demonstrate which is attributable to centers that were in operation through the entirety of the comparison

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period, and which is attributable to those that were acquired or disposed of during the period. The discussion below shows a breakdown and analysis of revenue and expenses for the three months ended September 30, 2019 and 2018 for our operations at a total company and same center level. For the discussion below, same centers are those centers that have been in continuous operation since July 1, 2018.

Three Months Ended September 30, 2019 Compared to the Three Months Ended September 30, 2018

Total Revenue

In Thousands	**Three Months Ended September 30,**			
Revenue	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total Revenue	$292,692	$242,148	$50,544	20.9%
Same Center Revenue	$251,079	$239,217	$11,862	5.0%

The rise in same center revenue mainly resulted from increased procedure volumes in advanced modalities which have higher reimbursement rates. This comparison excludes revenue contributions from centers that were acquired or divested subsequent to July 1, 2018. For the three months ended September 30, 2019, net service fee revenue from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $41.6 million. For the three months ended September 30, 2018, net service fee revenue from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $2.9 million.

Operating Expenses

Total operating expenses for the three months ended September 30, 2019 increased approximately $50.1 million, or 22.2%, from $225.7 million for the three months ended September 30, 2018 to $275.8 million for the three months ended September 30, 2019. The following table sets forth our cost of operations and total operating expenses for the three months ended September 30, 2019 and 2018 (in thousands):

	Three Months Ended September 30,	
	2019	**2018**
Salaries and professional reading fees, excluding stock-based compensation	$ 160,757	$ 133,303
Stock-based compensation	1,381	1,667
Building and equipment rental	26,850	22,162
Medical supplies	12,313	11,410
Other operating expenses *	53,082	39,969
Cost of operations	254,383	208,511
Depreciation and amortization	20,489	17,480
Loss (gain) on sale and disposal of equipment	917	(373)
Severance costs	52	82
Total operating expenses	$ 275,841	$ 225,700

*Includes billing fees, office supplies, repairs and maintenance, insurance, business tax and license, outside services, telecom, utilities, marketing, travel and other expenses.

Salaries and professional reading fees, excluding stock-based compensation and severance

In Thousands	**Three Months Ended September 30,**			
Salaries and Professional Fees	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total Salaries	$160,757	$133,303	$27,454	20.6%

Same Center Salaries	$141,781	$131,052	$10,729	8.2%

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The rise in same center salaries and professional fees was precipitated by higher physician cost due to greater procedure volume and added personnel and existing employee wage and benefit increases in support of operations. This comparison excludes expenses from centers that were acquired or divested subsequent to July 1, 2018. For the three months ended September 30, 2019, salaries and professional reading fees from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $19.0 million. For the three months ended September 30, 2018, salaries and professional reading fees from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was approximately $2.3 million.

Stock-based compensation

Stock-based compensation decreased $286,700, or 17.2% to approximately $1.4 million for the three months ended September 30, 2019 compared to $1.7 million for three months ended September 30, 2018. This decrease was driven by the lower fair value of RSA's awarded and vested in the third quarter of 2019 as compared to RSA's awarded and vested in the prior year's third quarter.

Building and equipment rental

In Thousands	**Three Months Ended September 30,**			
Building & Equipment Rental	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$26,850	$22,162	$4,688	21.2%
Same Center	$23,153	$21,506	$1,646	7.7%

The increase in same center building and equipment rental expenses was related to a combination of new imaging center and radiology equipment leases to meet market demand and improve patient care. This comparison excludes expenses from centers that were acquired or divested subsequent to July 1, 2018. For the three months ended September 30, 2019, building and equipment rental expenses from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $3.7 million. For the three months ended September 30, 2018, building and equipment rental expenses from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was approximately $0.7 million.

Medical supplies

In Thousands	**Three Months Ended September 30,**			
Medical Supplies Expense	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$12,313	$11,410	$903	7.9%
Same Center	$9,984	$11,132	$(1,148)	(10.3)%

Same center medical supplies expense decreased as a result of renegotiation of medical supply contracts along with improved inventory management procedures. This comparison excludes expenses from centers that were acquired or divested subsequent to July 1, 2018. For the three months ended September 30, 2019, medical supplies expenses from centers that were acquired or divested subsequent to April 1, 2018 and excluded from the above comparison was $2.3 million. For the three months ended September 30, 2018, medical supplies expense from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $278,100.

Other operating expenses

In Thousands	**Three Months Ended September 30,**			
Other Operating Expenses	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$53,082	$39,969	$13,114	32.8%
Same Center	$44,576	$39,173	$5,403	13.8%

Other operating expenses on a same center basis rose in part due to expense timing and additional utilities and outside

services charges stemming from increased procedural volumes. This comparison excludes expenses from centers that were acquired

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or divested subsequent to July 1, 2018. For the three months ended September 30, 2019, other operating expense from centers that were acquired or divested subsequent July 1, 2018 and excluded from the above comparison was $8.5 million. For the three months ended September 30, 2018, other operating expense from centers that were acquired or divested subsequent to July 1, 2018 was $0.8 million.

Depreciation and amortization

In Thousands	**Three Months Ended September 30,**			
Depreciation & Amortization	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$20,489	$17,480	$3,011	17.2%
Same Center	$16,346	$17,215	$(869)	(5.0)%

The decrease in same center depreciation and amortization is primarily due to several of our assets completing their depreciation schedules subsequent to the end of the first quarter of 2019. This comparison excludes expenses from centers that were acquired or divested subsequent to July 1, 2018. For the three months ended September 30, 2019, depreciation expense from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $4.1 million. For the three months ended September 30, 2018, depreciation and amortization from centers that were acquired or divested subsequent to July 1, 2018 and excluded from the above comparison was $264,200.

Gain on sale and disposal of equipment

We recorded a loss on the disposal of equipment and other items of approximately $917,200 for the three months ended September 30, 2018 and approximately $373,300 for the three months ended September 30, 2018.

Severance Costs

We incurred severance expenses of $52,400 for the three months ended September 30, 2019 and $82,300 for the three months ended September 30, 2018.

Interest expense

In Thousands	**Three Months Ended September 30,**			
Interest Expense	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total Interest Expense	$11,895	$10,663	$1,232	11.6%
Non Cash Interest*	$1,109	$977	$132	13.5%
Adjusted Interest Expense	$10,786	$9,686	$1,100	11.4%

*Includes combined non cash amortization of deferred loan costs, discount on issuance of debt and incidental financing charges.

Excluding the non cash interest amounts for the three months ended September 30, 2019 compared to the three months ended September 30, 2018, interest expense increased $1.1 million, or 11.4%. The main drivers behind the increase were the interest payments on assumed debt of the New Jersey Imaging Network and the additional term loan debt stemming from the Sixth Amendment to the First Lien Term Loan. See “Liquidity and Capital Resources” below for more details on our credit facilities.

Equity in earnings from unconsolidated joint ventures

For the three months ended September 30, 2019 we recognized equity in earnings from unconsolidated joint ventures in the amount of $2.0 million and for three months ended September 30, 2018 we recognized equity in earnings from unconsolidated joint ventures of $2.8 million, a decrease of $867,400 or 30.7%. The decrease was a result of the New Jersey Imaging Networks becoming a fully consolidated entity in October of 2018.

Provision for income taxes

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We recorded an income tax expense of $1.8 million, or an effective tax rate of 26.3%, for three months ended September 30, 2019 compared to income tax expense for the three months ended September 30, 2018 of $2.8 million, or an effective tax rate of 32.9%. The income tax rates for the three months ended September 30, 2019 diverge from the federal statutory rate due to (i) noncontrolling interests due to the controlled partnerships; (ii) effects of state income taxes; (iii) excess tax benefits attributable to share-based compensation; and adjustment associated with uncertain tax positions.

The discussion below shows a breakdown and analysis of revenue and expenses for the nine months ended September 30, 2019 and 2018 for our operations at a total company and same center level. For the purposes of this discussion, same centers are those centers that have been in continuous operation since January 1, 2018.

Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

Total Net Revenue

In Thousands	**Nine Months Ended September 30,**			
	2019	**2018**	$ Increase/(Decrease)	% Change
Total Revenue	$853,278	$717,935	$135,343	18.9%
Same Center Revenue	$719,692	$697,273	$22,419	3.2%

Higher same center revenue experienced for the period resulted from increased procedure volume of advanced radiology modalities, improvement of equipment utilization and increased capitation revenue over the same period last year. We benefited from better weather in the first quarter of 2019, compared to 2018 where inclement weather impacted our procedure volumes. This comparison excludes revenue contributions from centers that were acquired or divested subsequent to January 1, 2018. For the nine months ended September 30, 2019, total net revenue from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $133.6 million. For the nine months ended September 30, 2018, revenue under capitation arrangements from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $20.7 million.

Operating Expenses

Cost of operations for the nine months ended September 30, 2019 increased approximately $120.7 million, or 17.6%, from $686.5 million for the nine months ended September 30, 2018 to $807.2 million for the nine months ended September 30, 2019. The following table sets forth our cost of operations and total operating expenses for the nine months ended September 30, 2019 and 2018 (in thousands):

	Nine Months Ended September 30,	
	2019	**2018**
Salaries and professional reading fees, excluding stock-based compensation	$ 471,792	$ 403,569
Stock-based compensation	6,964	6,558
Building and equipment rental	78,957	65,393
Medical supplies	33,713	29,193
Other operating expenses *	152,512	129,487
Cost of operations	743,938	634,200
Depreciation and amortization	60,193	53,422
Loss (gain) on sale and disposal of equipment	1,990	(2,204)
Severance costs	1,054	1,087

Total operating expenses	$ 807,175	$ 686,505

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* Includes billing fees, office supplies, repairs and maintenance, insurance, business tax and license, outside services, telecom, utilities, marketing, travel and other expenses.

Salaries and professional reading fees, excluding stock-based compensation and severance

In Thousands	**Nine Months Ended September 30,**			
Salaries and Professional Fees	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total Salaries	$471,792	$403,569	$68,223	16.9%
Same Center Salaries	$410,504	$391,723	$18,781	4.8%

Of the rise in same center salaries and professional fees of 4.8%, 1.2% was precipitated by increased physician cost due to greater procedure volume and the remainder related to added personnel and existing employee wage and benefit increases in support of operations. This comparison excludes expenses from centers that were acquired or divested subsequent to January 1, 2018. For the nine months ended September 30, 2019, salaries and professional reading fees from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $61.3 million. For the nine months ended September 30, 2018, salaries and professional reading fees from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was approximately $11.8 million.

Stock-based compensation

Stock-based compensation increased $406,000, or 13.4%, to approximately $7.0 million for the nine months ended September 30, 2019 compared to $6.6 million for the nine months ended September 30, 2018. This increase was driven by the higher fair value of RSA's awarded and vested in the first nine months of 2019 as compared to RSA's awarded and vested in the same period in 2018.

Building and equipment rental

In Thousands	**Nine Months Ended September 30,**			
Building & Equipment Rental	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$78,957	$65,393	$13,564	20.7%
Same Center	$66,120	$61,809	$4,311	7.0%

The increase in same center building and equipment rental expenses relates to additional new imaging center and radiology equipment leases to support expanding operations. This comparison excludes expenses from centers that were acquired or divested subsequent to January 1, 2018. For the nine months ended September 30, 2019, building and equipment rental expenses from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $12.8 million. For the nine months ended September 30, 2018, building and equipment rental expenses from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was approximately $3.6 million.

Medical supplies

In Thousands	**Nine Months Ended September 30,**			
Medical Supplies Expense	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$33,713	$29,193	$4,520	15.5%
Same Center	$27,313	$27,736	$(423)	(1.5)%

Same center medical supplies decrease was attributable to renegotiation of medical supply contracts with more favorable pricing. This comparison excludes expenses from centers that were acquired or divested subsequent to January 1, 2018. For the nine months ended September 30, 2019, medical supplies expenses from centers that were acquired or divested subsequent to January 1,

2018 and excluded from the above comparison was $6.4 million. For the nine months ended September 30, 2018,

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medical supplies expense from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $1.5 million.

Other operating expenses

In Thousands	**Nine Months Ended September 30,**			
Other Operating Expenses	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$152,512	$129,487	$23,025	17.8%
Same Center	$125,974	$125,578	$396	0.3%

This comparison excludes expenses from centers that were acquired or divested subsequent to January 1, 2018. For the nine months ended September 30, 2019, other operating expense from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $26.5 million. For the nine months ended September 30, 2018, other operating expense from centers that were acquired or divested subsequent to January 1, 2018 was $3.9 million.

Depreciation and amortization

In Thousands	**Nine Months Ended September 30,**			
Depreciation & Amortization	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total	$60,193	$53,422	$6,772	12.7%
Same Center	$48,043	$51,788	$(3,744)	(7.2)%

The decrease in same center depreciation and amortization is primarily due to several of our assets completing their depreciation schedules subsequent to the end of our fourth quarter of 2018. This comparison excludes expenses from centers that were acquired or divested subsequent to January 1, 2018. For the nine months ended September 30, 2019, depreciation expense from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $12.2 million. For the nine months ended September 30, 2018, depreciation and amortization from centers that were acquired or divested subsequent to January 1, 2018 and excluded from the above comparison was $1.6 million.

Gain and loss on sale and disposal of equipment and other items

We recorded a loss on sale and disposal of equipment and other items of approximately $2.0 million for the nine months ended September 30, 2019 and a gain on the sale of equipment and other items of approximately $2.2 million for the nine months ended September 30, 2018.

Severance Costs

We incurred severance expenses of $1.1 million for each of the nine months ended September 30, 2019 and September 30, 2018.

Interest expense

In Thousands	**Nine Months Ended September 30,**			
Interest Expense	**2019**	**2018**	$ Increase/(Decrease)	% Change
Total Interest Expense	$36,589	$31,343	$5,246	16.7%
Non Cash Interest*	$3,103	$2,932	$171	5.8%
Adjusted Interest Expense	$33,486	$28,411	$5,075	17.9%

*Includes combined non cash amortization of deferred loan costs, discount on issuance of debt and incidental financing

charges.

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Excluding the non cash interest amounts for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, interest expense increased $5.1 million, or 17.9%. The main drivers behind the increase were the interest payments on assumed debt of the New Jersey Imaging Network and the additional term loan debt stemming from the Sixth Amendment to the First Lien Term Loan. See “Liquidity and Capital Resources” below for more details on our credit facilities.

To mitigate our future interest expense exposure the Company has entered into two forward interest rate cap agreements. See Derivative Instruments section of Note 2 to the consolidated condensed financial statements contained herein and ITEM 3. Quantitative and Qualitative Disclosure About Market Risk below for more details on our derivative transactions.

Equity in earnings from unconsolidated joint ventures

For the nine months ended September 30, 2019 we recognized equity in earnings from unconsolidated joint ventures of $6.1 million versus $9.5 million for the nine months ended September 30, 2018, a decrease of $3.5 million or 36.4%, as a result of the New Jersey Imaging Networks becoming a fully consolidated entity in October of 2018.

Other Income/Expenses

We incurred other expenses of $1.3 million for the nine months ended September 30, 2019 due to expenses in amending our term loan debt and legal contingency charges.

Provision for income taxes

We had a tax provision for the nine months ended September 30, 2019 of $3.6 million or 24.8% of income before income taxes, compared to a tax provision for the nine months ended September 30, 2018 of $2.8 million or 29.5% of income before income taxes. The income tax rates for the nine months ended September 30, 2019 diverge from the federal statutory rate due to (i) noncontrolling interests due to the controlled partnerships; (ii) effects of state income taxes; (iii) excess tax benefits attributable to share-based compensation; and adjustment associated with uncertain tax positions.

Adjusted EBITDA

We use both GAAP and non-GAAP metrics to measure our financial results. We believe that, in addition to GAAP metrics, these non-GAAP metrics assist us in measuring our cash generated from operations and ability to service our debt obligations. We believe this information is useful to investors and other interested parties because we are highly leveraged and our non-GAAP metrics remove non-cash and certain other charges that occur in the affected period and provide a basis for measuring the Company's financial condition against other quarters.

One non-GAAP measure we believe assists us is Adjusted EBITDA. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, each from continuing operations and excluding losses or gains on the disposal of equipment, other income or loss, loss on debt extinguishment, bargain purchase gains and non-cash equity compensation. Adjusted EBITDA includes equity earnings in unconsolidated operations and subtracts allocations of earnings to noncontrolling interests in subsidiaries, and is adjusted for non-cash or extraordinary and one-time events taking place during the period.

Adjusted EBITDA is a non-GAAP financial measure used as an analytical indicator by us and the healthcare industry to assess business performance, and is a measure of leverage capacity and ability to service debt. Adjusted EBITDA should not be considered a measure of financial performance under GAAP, and the items excluded from Adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. As Adjusted EBITDA is not a measurement determined in accordance with GAAP and is therefore susceptible to varying methods of calculation, this metric, as presented, may not be comparable to other similarly titled measures of other companies.

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Adjusted EBITDA is most comparable to the GAAP financial measure, net income (loss) attributable to RadNet, Inc. common stockholders. The following is a reconciliation of GAAP net income (loss) attributable to RadNet, Inc. common stockholders to Adjusted EBITDA for the three and nine months ended September 30, 2019 and 2018, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss) attributable to RadNet, Inc. common stockholders	$ 3,195	$ 5,039	$ 4,360	$ 3,107
Provision for income taxes	1,816	2,827	3,557	2,835
Interest expense	11,895	10,663	36,589	31,343
Severance costs	52	82	1,054	1,087
Depreciation and amortization	20,490	17,480	60,193	53,422
Non-cash employee stock-based compensation	1,381	1,667	6,964	6,557
Loss (gain) on sale and disposal of equipment	917	(373)	1,990	(2,204)
Other expenses	2	7	1,271	13
Legal settlements	1,248	—	1,248	—
Transaction costs EmblemHealth/ACP	—	681	—	681
Gain on sale of equipment attributable to noncontrolling interest				440
Adjusted EBITDA	**$ 40,996**	**$ 38,073**	**$ 117,225**	**$ 97,281**

Liquidity and Capital Resources

The following table is a summary of key balance sheet data as of September 30, 2019 and December 31, 2018 and income statement data for the nine months ended September 30, 2019 and 2018 (in thousands):

Balance Sheet Data:	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 37,688	$ 10,389
Accounts receivable	150,748	148,919
Working capital (exclusive of current operating lease liabilities)	(489)	(30,827)
Stockholders' equity	215,072	200,253

Income statement data for the nine months ended September 30,	2019	2018
Total net revenue	$ 853,338	$ 717,935
Net income (loss) attributable to RadNet common stockholders	4,360	3,107

We operate in a capital intensive, high fixed-cost industry that requires significant amounts of capital to fund operations. In addition to operations, we require a significant amount of capital for the initial start-up and development of new diagnostic imaging facilities, the acquisition of additional facilities and new diagnostic imaging equipment. Because our cash flows from operations have been insufficient to fund all of these capital requirements, we have depended on the availability of financing under credit arrangements with third parties.

Based on our current level of operations, we believe that cash flow from operations and available cash, together with available borrowings from our senior secured credit facilities, will be adequate to meet our liquidity needs. Our future liquidity requirements will be for working capital, capital expenditures, debt service and general corporate purposes. Our ability to meet our working capital and debt service requirements, however, is subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. If we are not able to meet such requirements, we may be required to seek additional financing. There can be no assurance that we will be able to obtain financing from other sources on terms acceptable to us, if at all.

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On a continuing basis, we also consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures and joint ventures. These types of transactions may result in future cash proceeds or payments but the general timing, size or success of any acquisition, divestiture or joint venture effort and the related potential capital commitments cannot be predicted. We expect to fund any future acquisitions primarily with cash flow from operations and borrowings, including borrowing from amounts available under our senior secured credit facilities or through new equity or debt issuances.

We and our subsidiaries or affiliates may from time to time, in our sole discretion, purchase, repay, redeem or retire any of our outstanding debt or equity securities in privately negotiated or open market transactions, by tender offer or otherwise.

Sources and Uses of Cash

The following table summarizes key components of our sources and uses of cash for the nine months ended September 2019 and 2018:

Cash Flow Data	September 30, 2019	September 30, 2018
Cash provided by operating activities	$ 82,603	$ 87,858
Cash used in investing activities	(93,981)	(81,601)
Cash provided by (used in) financing activities	38,705	(30,287)

Cash provided by operating activities for the nine months ended September 30, 2019 was $82.6 million and $87.9 million for the nine months ended September 30, 2018 .

Cash used in investing activities for the nine months ended September 30, 2019, included purchases of property and equipment for approximately $68.3 million and the acquisition of imaging facilities for $27.2 million.

Cash provided by financing activities for the nine months ended September 30, 2019, was mainly due to our additional term loan debt issuance of April 18, 2019, offset by payments on our term loan and revolving credit facility borrowings.

In 2018 and 2019 we entered into factoring agreements with various institutions and sold certain accounts receivable under non-recourse agreements. These transactions are accounted for as a reduction in accounts receivable as the agreements transfer effective control over and risk related to the receivables to the buyers. As of the nine months ended September 30, 2019, the amount factored under these facilities was $9.0 million, inclusive of discount recorded to reflect the difference between market interest rates and the stated interest rate of the receivable. At September 30, 2019 we have $24.3 million, net of discount, remaining to be collected on these agreements. We do not utilize factoring arrangements as an integral part of our financing for working capital.

Senior Secured Credit Facilities

At September 30, 2019, our credit facilities were comprised of one tranche of term loans (“First Lien Term Loans”) and a revolving credit facility of $137.5 million (the “Barclays Revolving Credit Facility”), both of which are provided pursuant to the Amended and Restated First Lien Credit and Guaranty Agreement dated as of July 1, 2016 (as amended, the “First Lien Credit Agreement”).

At September 30, 2019, our SunTrust credit facilities, which relate to our consolidated subsidiary NJIN, were comprised of one term loan (the "SunTrust Term Loan") and a revolving credit facility of $30.0 million (the "SunTrust Revolving Credit Facility") both of which are provided pursuant to the SunTrust Restated Credit Agreement.

As of September 30, 2019, we were in compliance with all covenants under our credit facilities. Deferred financing costs at September 30, 2019, net of accumulated amortization, was $1.7 million and is specifically related to our Barclays Revolving Credit Facility.

Included in our condensed consolidated balance sheets at September 30, 2019 are $716.5 million of total term loan debt (net of unamortized discounts of $14.5 million) in thousands:

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	Face Value	Discount	Total Carrying Value
First Lien Term Loans	$ 659,522	$ (14,549)	$ 644,973
SunTrust Term Loan	57,000	—	57,000
Total Term Loans	$ 716,522	$ (14,549)	$ 701,973

We had no balance under our $137.5 million Barclays Revolving Credit Facility at September 30, 2019 and have reserved against the borrowing capacity $5.9 million for certain letters of credit. The remaining $131.7 million of our Barclays Revolving Credit Facility was available to draw upon as of September 30, 2019. We had no balance under our $30.0 million Suntrust Revolving Credit Facility at September 30, 2019.

For more information on our secured credit facilities see Note 6 in our condensed consolidated financial statements in this quarterly report.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk: We receive payment for our services exclusively in United States dollars. As a result, our financial results are unlikely to be affected by factors such as changes in foreign currency, exchange rates or weak economic conditions in foreign markets.

We maintain research and development facilities in Prince Edward Island, Canada and Budapest, Hungary for which expenses are paid in the local currency. Accordingly, we do have currency risk resulting from fluctuations between such local currency and the United States Dollar. At the present time, we do not have any foreign currency exchange contracts to mitigate this risk. At September 30, 2019, a hypothetical 1% decline in the currency exchange rates between the U.S. dollar against the Canadian dollar and the Hungarian Forint would have resulted in an annual increase of approximately $30,500 in operating expenses.

Interest Rate Sensitivity: We pay interest on various types of debt instruments to our suppliers and lending institutions. The agreements entail either fixed or variable interest rates. Instruments which have fixed rates are mainly leases on radiology equipment. Variable rate interest obligations relate primarily to amounts borrowed under our outstanding credit facilities. Accordingly, our interest expense and consequently, our earnings, are affected by changes in short term interest rates. However due to our purchase of caps, described below, the effects of interest rate changes are limited.

Interest Rate Sensitivity Barclays First Lien Term Loans

At September 30, 2019, we had $659.5 million outstanding subject to an adjusted Eurodollar election on First Lien Term Loans. We can elect Eurodollar or Base Rate (Prime) interest rate options on amounts outstanding under the First Lien Term Loans.

To mitigate interest rate risk sensitivity, in the fourth quarter of 2016 we entered into two forward interest rate cap agreements (the "2016 Caps") which were designated at inception as cash flow hedges of future cash interest payments. The 2016 Caps are designed to provide a hedge against interest rate increases. Under these arrangements, we purchased a cap on 3 month LIBOR at 2.0%. At September 30, 2019, our effective 3 month LIBOR was 2.33%. The 2016 Caps have a notional amount of $150,000,000 and $350,000,000 and will mature in September and October 2020. We are liable for a $5.3 million premium to enter into the 2016 Caps which is being accrued over the life of the instrument. See Note 2, Significant Accounting Policies, for further information.

A hypothetical 1% increase in the adjusted Eurodollar rates under the First Lien Credit Agreement over the rates experienced in 2018 would, after considering the effects of the 2016 Caps, result in an increase of $1.6 million in annual interest expense and a corresponding decrease in income before taxes. At September 30, 2019, an additional $9.7 million in debt

instruments is tied to the prime rate. A hypothetical 1% increase in the prime rate would result in an annual increase in interest expense of

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approximately $96,990 and a corresponding decrease in income before taxes. These amounts are determined by considering the impact of the hypothetical interest rates on the borrowing costs and cap agreements.

Interest Rate Sensitivity SunTrust Term Loan

At September 30, 2019, we had $57.0 million outstanding subject to an adjusted Eurodollar election on the SunTrust Restated Credit Agreement. We can elect Eurodollar or Base Rate (Prime) interest rate options on amounts outstanding under the SunTrust Restated Credit Agreement.

At September 30, 2019, our effective LIBOR rate plus applicable margin was 4.10%. A hypothetical 1% increase in the adjusted Eurodollar rates under the SunTrust Restated Credit Agreement would result in an increase of approximately $570,000 in annual interest expense and a corresponding decrease in income before taxes. No amounts are tied to the prime rate under the SunTrust Restated Agreement.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has conducted an evaluation of the design and operation of our “disclosure controls and procedures” as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report for the purposes set forth above.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the three months ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our business. We do not believe that the outcome of any of our current litigation will have a material adverse impact on our business, financial condition and results of operations. However, we could be subsequently named as a defendant in other lawsuits that could adversely affect us.

ITEM 1A. Risk Factors

For information about the risks and uncertainties related to our business, please see the risk factors described in our annual report on Form 10-K for the year ended December 31, 2018. The risks described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 1, 2019, we issued 101,902 shares of our common stock to sellers of Nulogix, Inc, to complete our acquisition of the company. The shares were ascribed a value of $1.5 million and were issued pursuant to the private placement exemption in Section 4(a)(2) of the Securities Act.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

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INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Certification of Howard G. Berger, M.D. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mark D. Stolper pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Howard G. Berger, M.D. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Mark D. Stolper pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

* This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Exchange Act and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RADNET, INC.
(Registrant)

Date: November 12, 2019	By:	/s/ Howard G. Berger, M.D.
		Howard G. Berger, M.D., President and Chief Executive Officer (Principal Executive Officer)
Date: November 12, 2019	By:	/s/ Mark D. Stolper
		Mark D. Stolper, Chief Financial Officer (Principal Financial and Accounting Officer)